

The Canada Life Group (U.K.) Limited

Solvency and Financial Condition Report 2018

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List of abbreviations and acronyms

BAC	Board Audit Committee
Board	Board of Directors of the Company
BRC	Board Risk Committee
CBI	Central Bank of Ireland
CFO	Chief Financial Officer
CIAE	Chief Internal Auditor, Europe
C-IFRS	Canadian International Financial Reporting Standards (the financial reporting standard established by the Canadian Accounting Standards Board)
CLE	Canada Life Assurance Europe plc
CLG or the Company	The Canada Life Group (U.K.) Limited
CLIH	Canada Life International Holdings Limited
CLIRE	Canada Life International Re dac
CLL	Canada Life Limited
CLRel	Canada Life Re Ireland dac
CRO	Chief Risk Officer
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Equity Release Mortgages
FCA	Financial Conduct Authority
GWL	The Great-West Life Assurance Company
IA	Internal Audit
ILA	Irish Life Assurance plc
ILG	Irish Life Group Limited
ILH	Irish Life Health dac
Invesco	Invesco Limited (Ireland)
LIBOR	London Interbank Offered Rate – an average of interest rates estimated by leading banks at which banks are willing to lend to each other
Lifeco	Great-West Lifeco Inc.
LLGR	London Life and General Reinsurance dac
MA	Matching Adjustment
MGMA	MGM Advantage Life Limited
MGMA Holdings	MGM Advantage Holdings Limited
ORSA	Own Risk and Solvency Assessment
PIM	Partial Internal Model
PRA	Prudential Regulation Authority
RA or Retirement Advantage	MGM Advantage Holdings Limited and its subsidiaries, acting under the trading name Retirement Advantage
SCR	Solvency Capital Requirement
Stonehaven	Stonehaven UK Limited
The Group, The Canada Life Group	The Canada Life Group (U.K.) Limited and its direct and indirect subsidiary companies
TMTP	Transitional Measure on Technical Provisions
VA	Volatility Adjustment

Summary

Purpose of the Solvency and Financial Condition Report

This report will assist customers and other stakeholders in understanding the regulatory capital and financial position of The Canada Life Group (U.K.) Limited (the Company) following the introduction of the EU Solvency II regulations for insurance and reinsurance companies on 1 January 2016.

This report was approved by the Board of the Company, see Directors' Responsibility Statement, and covers the business performance of the Company, its system of governance, the risk profile of the business, the Solvency II balance sheet valuation methodology and capital management position. It covers the year ended 31 December 2018.

Sections D (Valuation for Solvency Purposes) and E (Capital Management) have been audited, except where indicated, in accordance with the Prudential Regulation Authority (PRA) Requirements. However, they have been reviewed by the auditor to consider whether they are materially consistent with the audited elements of the Solvency and Financial Condition Report (SFCR).

Further details of the audit can be found in the Report of the External Independent Auditor.

Company Information

The Company is the UK registered European insurance holding company for The Great-West Life Assurance Company's (GWL) regulated insurance and reinsurance companies in the EU.

The Company is the parent company of a group of European companies, including seven insurance and reinsurance companies, whose principal activity during the year was the transacting of long-term life and health assurance. In addition, the Company owns a number of fund management companies, service companies, brokerages and other related companies.

Business and Performance Summary

The Company is a holding company and conducts no insurance business itself. It operates through a number of subsidiary companies based in the UK and Ireland. These subsidiary companies are separately regulated either by the PRA in the UK or the Central Bank of Ireland (CBI) in Ireland. The Company's main source of income is dividend receipts from its subsidiaries, along with loan interest received and income from its invested assets.

The Company does not prepare consolidated financial statements. Where financial statement data is required under the Solvency II regulations, it will provide aggregated data prepared on a Canadian International Financial Reporting Standards (C-IFRS) basis for the companies within The Canada Life Group (U.K) Limited (CLG). The extent to which these numbers have been subject to external audit is set out in section D.1.1.

There are no material differences between the scope of the data provided under C-IFRS and the scope of the Group as determined under Article 335 of the Delegated Regulation for Solvency II reporting.

The Company calculates its Solvency Capital Requirement (SCR) in line with the standard formula set by the European Insurance and Occupational Pensions Authority (EIOPA) with the exception of MGM Advantage Life Limited (MGMA) for which a Partial Internal Model (PIM) is used. The ratio of the Company's available capital to its regulatory SCR was 149.6% at 31 December 2018. This is prior to the impact of the annual stepdown in Transitional Measures on Technical Provisions (TMTPs) in Canada Life Limited (CLL) and MGMA.

Description	2018 £m	2017 £m
Tier 1 – unrestricted	5,109.4	5,073.1
Tier 1 - restricted	0	0.0
Tier 2	735.6	941.9
Restrictions	(10.7)	(12.0)
Eligible Own Funds to meet SCR	5,834.3	6,003.0
Solvency Capital Requirement	3,898.7	4,138.7
Solvency Capital Ratio	149.6%	145.0%
Minimum Capital Requirement	1,226.8	1,240.5
Minimum Capital Ratio	428.6%	422.1%

Table 1: Own Funds and Solvency Capital Ratio

Major business events during 2018

Purchase of Retirement Advantage

On 2 January 2018, CLG purchased MGM Advantage Holdings Limited (MGMA Holdings) which is the parent company of MGMA which traded under the name Retirement Advantage. MGMA is a UK based insurance company which provides retirement income solutions for individuals planning their retirement and is regulated by the PRA.

The principal activity of MGMA in the United Kingdom is the provision of retirement income solutions including annuity and drawdown business and equity release lifetime mortgages (ERMs) which are originated through its sister company Stonehaven UK Ltd (Stonehaven).

Sale of heritage block of business in CLL

On 21 June 2018, CLL announced an agreement to sell a heritage block of individual policies to Scottish Friendly. The transferring block of policies has been mostly closed to new business since 2003 and comprises life and pension savings policies as well as some protection policies.

Purchase of Invesco Limited (Ireland)

On 1 August 2018, Irish Life Group Limited (ILG) purchased a 75% share of Invesco Limited Ireland (Invesco), and its two smaller trustee subsidiaries.

Invesco specialises in employee benefit consultancy and private wealth management and has more than 27 years' experience advising companies and personal investors. It will continue to operate as an independent consultancy firm under its existing brand.

Summary

Transfer of business from CLIRE to LLGR

On 3 December 2018, London Life and General Reinsurance Company dac (LLGR) entered into an agreement with CLG to acquire a group company, Canada Life International Re dac (CLIRE). On the same date, LLGR acquired the reinsurance business of CLIRE by way of a portfolio transfer. This portfolio transfer consisted of the transfer of assets and liabilities in relation to its reinsurance business. LLGR's new business focus will be on life and non-life retrocession business emerging from the EU and UK. On 19 December 2018, CLIRE changed its name to Canada Life Dublin dac (CLD). On 18 January 2019 LLGR changed its name to Canada Life Re Ireland dac (CLRel).

The company (through its subsidiaries) has approval to apply a Matching Adjustment (MA) and a Volatility Adjustment (VA) to certain lines of business, and has approval to use the TMTP (for CLL and MGMA Life) and the transitional risk-free interest rate term structure (for CLRel). The table below shows the impact on the company's solvency ratio of these.

At 31 December	2018 Solvency Ratio	2017 Solvency Ratio
Base	150%	145%
Base with no Matching Adjustment	105%	121%
Base with no Volatility Adjustment	137%	139%
Base with no transitional risk-free interest rate term structure	145%	140%
Base with no Transitional Measure on Technical Provisions	104%	106%

Table 2: Solvency impact of transitional adjustment and measures

The impact of removing the MA decreased the solvency ratio by 24% in 2017 and by 45% in 2018. The reason for the increase in the impact is due to the increasing size of the CLL MA fund and also due to the increase in credit spreads on the assets held in that fund.

The Company's financial performance on a C-IFRS basis resulted in a consolidated unaudited profit for the financial year, after taxation, of £455m (£388m in 2017).

Business and Performance Summary in the Subsidiary Companies

Canada Life Limited

Canada Life Limited continued with its strategy for acquiring profitable bulk annuities deals. A number of new acquisitions were made during the year totalling £1,331m compared to £544m in 2017.

In January 2018, CLG acquired MGMA. Although MGMA is a sister company to CLL and the two companies continue to operate independently whilst integration takes place, the businesses will become increasingly integrated over time. The planned transfer of business from MGMA into CLL is likely to conclude during early 2020.

Irish Life Group

In August 2018, the CLL subsidiary Irish Life Group Limited (ILG) completed the acquisition of a controlling interest in Invesco Ltd (Ireland), an independent financial consultancy firm based in Ireland that specialises in employee benefit consultancy and private wealth management.

Canada Life International Reinsurance

On 3 December 2018, LLGR entered into an agreement with CLG to acquire a group company, CLIRE. On the same date, LLGR acquired the reinsurance business of CLIRE by way of a portfolio transfer. This portfolio transfer consisted of the transfer of assets and liabilities in relation to its reinsurance business. As a result of this transaction, LLGR is now the groups only European authorised reinsurer. LLGR's new business focus will be on life and non-life retrocession business emerging from the EU and UK. On 19 December 2018, CLIRE changed its name to CLD. On 18 January 2019 LLGR changed its name to CLRel.

More details on the subsidiary companies' financial performance is detailed in Section A.

System of Governance Summary

Responsibility for the CLG system of governance lies with the Board of Directors of the Company (Board). The Board is accountable for establishing and maintaining policies at CLG level, and for ensuring that these group policies are applied to CLG's subsidiaries as appropriate. Each CLG subsidiary implements its own governance structures as appropriate to the entity.

The Board is responsible for, amongst other things, setting the Company's strategy and risk appetite and overseeing executive implementation of that strategy. Risk governance in the Company is supported by the risk management framework, as described in the Board approved Enterprise Risk Management Policy. The Board sets risk policy for the Company in relation to the types and level of risk that the Company is prepared to assume.

The Company operates a three lines of defence model for risk management, the:

- first line of defence is the responsibility of operational departments as the owners and managers of the risks associated with their business activities;
- second line of defence is the responsibility of the risk, finance, actuarial and compliance functions as they challenge and provide oversight of the first line of defence; and
- third line of defence is the responsibility of the internal audit function. The function is fully independent from, and tests the effectiveness of the control framework for, both the first and second lines of defence.

The Company ensures that all the people who effectively run the Company or have other key functions, are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

The governance structure of the Company has not changed materially in the year to 31 December 2018. Ultimate responsibility for the performance and strategy of the Company resides with the Board of Directors and they delegate authority within the organisation as they see fit.

Summary

Risk Profile Summary

The Company's objective in the management of risk is to operate within risk appetite limits it sets itself. This supports the controlled delivery of the company's business objectives, in line with its risk strategy, ensuring a balanced approach to risk and reward.

The Company assesses its risk exposure by measuring its SCR, using a combination of the standard formula and a PIM, which are the methods of calculating the amount of capital that the Company is required to hold against its risk profile. All companies in the Group use the Standard Formula other than MGMA which has been authorised to use a PIM.

The Solvency Capital Requirement is split by risk category in the following table.

Solvency Capital Requirement	2018 £m	2017 £m
Market Risk	2,653	2,984
Life Underwriting Risk	1,693	1,970
Health Underwriting Risk	401	407
Counterparty Risk	72	88
Operational Risk	247	203
Non-Life	2	1
Diversification	(1,166)	(1,309)
Gross SCR	3,903	4,343
Loss absorbing capacity of deferred tax (restricted)	(329)	(391)
Loss absorbing capacity of Technical Provisions	(22)	(30)
Adjustment due to Ring Fenced Funds	152	189
Capital Requirement for non-insurance entities (consolidated using the adjusted equity method)	34	28
Entities included via the Deduction and Aggregation methodology (MGMA)	162	–
Group SCR	3,899	4,139

Table 3: Solvency Capital Requirement by risk category

Note: all tables in this document use units of millions and thousands. Because we have rounded the figures, the totals in the tables may not equal the sum of the components exactly.

The observed decrease in SCR over 2018 is due primarily to a reduction in CLD's SCR over the year (for the business that was subsequently transferred to CLRel) as a result of the novation of a US protection business reinsurance treaty. This is partly offset by the increase in SCR resulting from the purchase of MGMA.

A detailed analysis of the Company's risk profile, including its appetite for risk, risk management techniques and sensitivity analysis, is provided in Section C of this report.

Valuation for Solvency Purposes Summary

The main focus of Solvency II reporting is the financial strength (capital resources) of the Company. An analysis of the valuation of the Group's assets and liabilities per the Solvency II balance sheet is provided in Section D.

For the purposes of reporting on business performance, the Company is part of the Lifeco group that reports results prepared in accordance with C-IFRS.

Capital Management Summary

The aim of the Company's Capital Management Operating Policy is to ensure the company has sufficient capital, reserves and liquidity to meet its liabilities as they fall due and to meet regulatory solvency requirements. The policy is reviewed annually and approved by the Board.

The company prepares its returns on a consolidated basis, using the consolidation methodology set out in the Solvency II regulations. For the financial consolidation, all companies in the Group are consolidated using Method 1, as agreed with the PRA.

We are required to report on any periods of non-compliance with the Minimum Capital Requirement (MCR) and significant non-compliance with the SCR during the reporting period. There have been no periods of non-compliance with the MCR nor significant non-compliance with the SCR during the 2018 reporting period.

The ratio of the Company's available capital to its regulatory SCR was 149.6% at 31 December 2018 (145.0% in 2017) indicating capital resources were in excess of the regulatory minimum.

Further details of how the Company manages its capital can be found in Section E.

A Business and Performance

A.1 Business

The Canada Life Group (U.K.) Limited is a private limited company. It is registered in England and Wales and incorporated in the United Kingdom. Its company registration number is 02228475.

The registered office is:

Canada Life Place
Potters Bar
Hertfordshire
EN6 5BA
United Kingdom

The Canada Life Group (U.K.) Limited is subject to Group Supervision led by the PRA.

The contact details for the PRA are:

20 Moorgate,
London
EC2R 6DA.

The external auditor is:

Deloitte LLP
Temple Quay
3 Rivergate
Bristol
BS1 6GD

A.1.1 About The Canada Life Group (U.K.) Limited

CLG is the European insurance holding company for the EU regulated insurance and reinsurance companies within GWL.

CLG is a wholly owned subsidiary of Canada Life International Holdings Limited (CLIH), a company registered in Bermuda. CLIH owns 100% of the shares and has 100% of voting rights in CLG. CLIH is, in turn, a wholly owned subsidiary of The Canada Life Assurance Company which is owned by GWL.

GWL is a wholly owned subsidiary of Great-West Lifeco Inc (Lifeco), an international financial services holding company which is incorporated in Canada and listed on the Toronto Stock Exchange. Lifeco provides oversight of all Canadian, European and other global insurance and investment operations.

Lifeco and its subsidiaries, including GWL, have approximately \$1.4 trillion Canadian dollars in consolidated assets under administration as at 31 December 2018 and are members of the Power Financial Corporation group of companies.

CLG is the parent of a group of companies whose principal activity is the transacting of ordinary long-term life assurance business, including seven insurance and reinsurance undertakings which are regulated either by the PRA in the UK or by the CBI in Ireland. In addition, CLG owns a number of fund management companies, service companies, brokerages and other related companies.

A.1.2 Significant Business Events in 2018

Purchase of Retirement Advantage

On 2 January 2018, CLG purchased MGMA Holdings, which is the parent company of MGMA, and which traded under the name Retirement Advantage. MGMA is a UK based insurance company which provides retirement income solutions for individuals planning their retirement and is regulated by the PRA, and by the Financial Conduct Authority (FCA) for business conduct purposes.

The principal activity of MGMA in the United Kingdom is the provision of retirement income solutions including annuity and drawdown business and ERMs which are originated through its sister company Stonehaven which now trades under the brand Canada Life Home Finance.

Purchase of Invesco Limited Ireland

On 1 August 2018, ILG purchased a 75% share of Invesco Limited Ireland, and its two smaller trustee subsidiaries.

Invesco specialises in employee benefit consultancy and private wealth management and has more than 27 years' experience advising companies and personal investors. It will continue to operate as an independent consultancy firm under its existing brand.

Transfer of business from CLIRE to LLGR

On 3 December 2018, LLGR entered into an agreement with CLG to acquire CLD, formerly CLIRE, an Irish domiciled subsidiary of CLG and reinsurer regulated by the CBI.

On the same date, LLGR acquired the reinsurance business of CLD by way of a portfolio transfer. This portfolio transfer consisted of the transfer of assets and liabilities in relation to its reinsurance business. As a result of this transaction, LLGR is now the Group's only European authorised reinsurer. LLGR's new business focus will be on life and non-life retrocession business emerging from the EU and UK. On 18 January 2019 LLGR changed its name to CLReI.

Sale of heritage block of business in CLL

On 21 June 2018, CLL announced an agreement to sell a heritage block of individual policies to Scottish Friendly. Canada Life Investments will continue to manage a substantial portion of the transferring unit-linked assets. The transferring block of policies has been mostly closed to new business since 2003 and comprises life and pension savings policies as well as some protection policies.

A Business and Performance

A.1.3 The Canada Life Group (UK) Limited

CLG is the parent company for seven insurance and reinsurance undertakings that are authorised and regulated by the PRA in the UK or by the CBI in Ireland. Details of the undertakings are set out in the sections below. In addition, the Group also owns a number of fund management companies, service companies, brokerages and other related companies. Details of these and all other CLG undertaking companies can be found in the Annex.

A.1.3.1 Simplified Group Structure - Parent Relationship

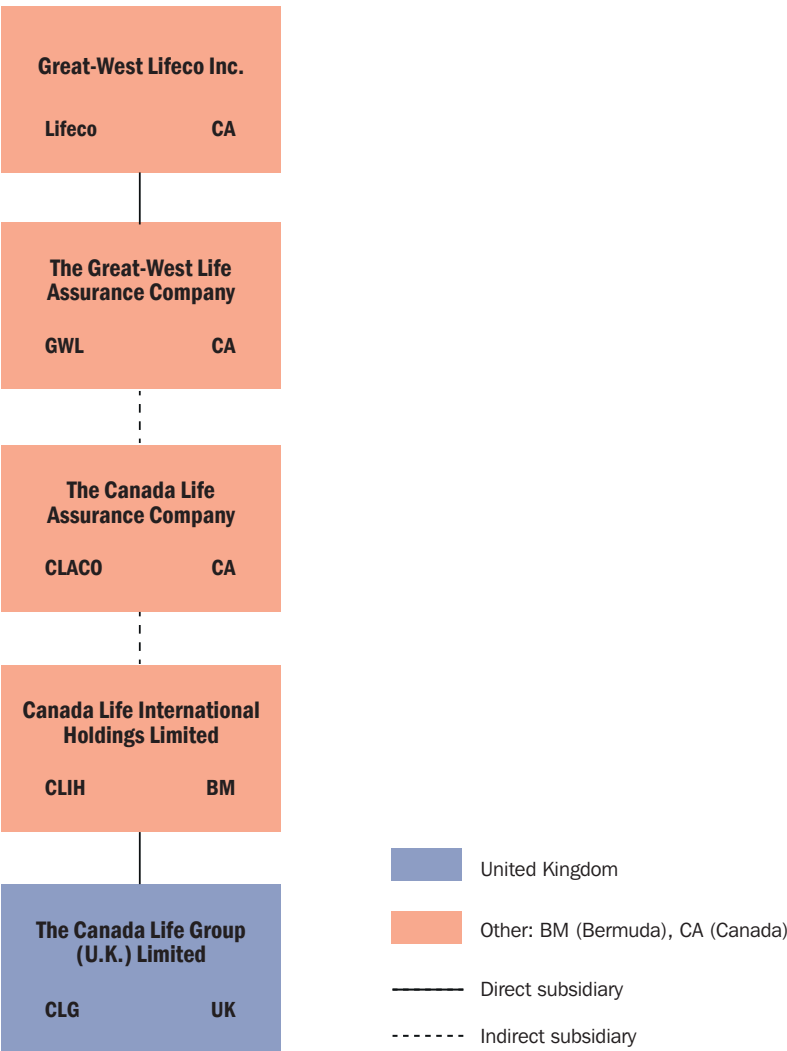


Figure 1: The Company's relationship to its parent

A Business and Performance

A.1.3.2 Subsidiary Relationship

A simplified organisational group structure showing CLG's direct and indirect holdings

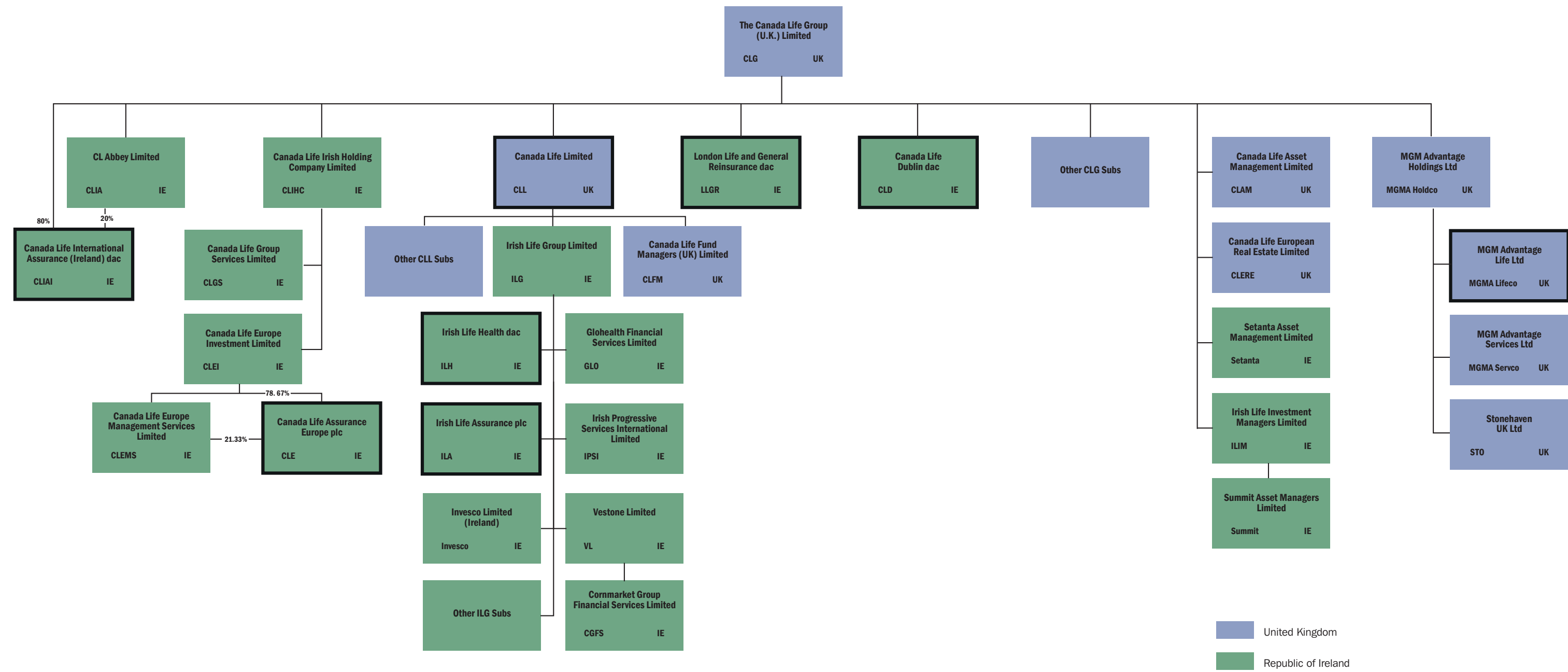


Figure 2: Organisational group structure

A Business and Performance

As an intermediate holding company, CLG does not prepare consolidated financial statements. Where financial statement data is required under the Solvency II regulations, it will provide aggregated data prepared on a C-IFRS basis for the companies within CLG. There are no material differences between the scope of the group data used for C-IFRS and the scope of the group consolidated data as determined under Article 335 of the Delegated Regulations for Solvency II reporting.

A.1.3.3 United Kingdom Business

A.1.3.3.1 *Canada Life Limited*

CLL is an insurance company that is based in the UK. It provides retirement products, group risk insurance, and insurance based investment products. It sells individual and group insurance to meet the retirement, investment and protection needs of both individuals and companies. CLL is authorised by the PRA and regulated by the PRA, and by the FCA for business conduct purposes.

As a result of the planned integration of Retirement Advantage along with the sale of the heritage block of individual policies to Scottish Friendly, CLL recorded a restructuring provision of £39.3m during the year.

A.1.3.3.2 *MGM Advantage Life Limited*

MGMA is a UK based insurance company which provides retirement income solutions for individuals planning their retirement.

MGMA has been wholly owned by CLG, since 2 January 2018. The principal activity of MGMA is the provision of retirement income solutions including annuity and drawdown business and ERMs which are originated through its sister company Stonehaven UK Ltd, now branded Canada Life Home Finance. All retirement income business is carried out within the United Kingdom.

MGMA is authorised by the PRA and regulated by the PRA, and by the FCA for business conduct purposes.

A.1.3.3.3 *Canada Life International Assurance (Ireland) dac*

Canada Life International Assurance (Ireland) dac (CLIAI) operates as a life assurance company authorised to sell assurance policies linked to investment funds and capital redemption products. Although the main market is the UK, the company is also licensed to sell to Jersey residents and operates in Italy on a freedom of services basis, although it is no longer seeking new clients in Italy. CLIAI is authorised and regulated by the CBI and regulated by the FCA for business conduct purposes in relation to UK sales.

A.1.3.4 Ireland Business

A.1.3.4.1 *Irish Life Assurance plc*

ILA is the largest life and pensions group in Ireland, servicing over 1 million customers. The Irish Life brand is one of the most established and recognised financial brands in Ireland. Its brand strength is based on its large distribution network, product innovation and flexibility and strong investment performance.

ILA operates through two main divisions, Irish Life Retail and Irish Life Corporate Business. Irish Life Retail is focused on individual life assurance, pensions and investments and Irish Life Corporate Business is focused on life assurance and pension products for employers and affinity groups. ILA is regulated by the CBI.

A.1.3.4.2 *Irish Life Health dac*

The principal activity of Irish Life Health dac (ILH) is the transaction of health insurance business within the Republic of Ireland. ILH is regulated by the CBI.

A.1.3.5 Germany Business

A.1.3.5.1 Canada Life Assurance Europe plc

Canada Life Assurance Europe plc (CLE) is authorised as an insurance provider and currently writes life assurance and pension business in Germany. CLE sells exclusively through brokers, multi-tied agencies and banks. CLE is regulated by the CBI and regulated by the German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) for business conduct purposes.

A.1.3.6 Reinsurance Business

A.1.3.6.1 Canada Life Re Ireland dac

CLRel writes life reinsurance business mainly in Europe either directly or through internal retrocessions. The main business lines and divisional business strategies are Traditional Life, Structured Life, Property & Casualty and Payout Annuities.

A.1.4 Intra-group Transactions during 2018

CLG has few intra-group transactions, these being reinsurance agreements, intra-group outsourcing agreements, guarantee arrangements, and loans conducted on an arm's length basis.

CLL has a quota reinsurance arrangement in place with CLIRe for a block of UK group life business.

CLG subsidiaries have a number of outsourcing agreements with each other. These include the provision of information services, investment management, legal and actuarial modelling services. The provision and oversight of these services is governed by subsidiary outsourcing policies.

A.1.4.1 Capital Transactions during 2018

All major capital transactions in 2018 have been covered under section A.1.2 Major Business events.

A Business and Performance

A.2 Underwriting Performance

An analysis of gross written premiums by business and geographical area is shown in the following table.

Name of subsidiary	Main line of business	2018 £m	2017 £m
United Kingdom			
Canada Life Limited	Annuities, unit-linked and group risk business	2,410	1,680
Canada Life International Assurance (Ireland)	Unit-linked business	747	635
MGMA	Annuities and unit-linked business	144	N/A
Total		3,301	2,315
Ireland			
Irish Life Assurance	Unit-linked and corporate risk business	5,429	6,353
Irish Life Health	Health Insurance	427	399
Total		5,856	6,752
Germany			
Canada Life Assurance Europe	Unit-linked and unitised business	673	620
Total		673	620
Reinsurance			
CLD (formerly Canada Life International Re dac)	Reinsurance	151	297
Total		151	297
CLG Total		9,980	9,984

Table 4: Gross written premiums

Total gross written premiums stayed flat over the reporting period. Decreases in unit-linked business sales in ILA were offset by increased annuity premiums in CLL.

The performance of the subsidiaries and their individual lines of business is analysed in the SFCR reports for each subsidiary, a list of web links is available in Appendix 1.

A.3 Investment Performance

The Company's consolidated investment income is shown below.

Asset Type £m	Net Investment Income	Realised and unrealised gains	2018 Total	Net Investment Income	Realised and unrealised gains	2017 Total
Bonds	754	(690)	64	690	(247)	443
Equities and collective investment undertakings	614	(2,140)	(1,526)	517	1,991	2,508
Derivatives	(5)	(274)	(278)	(14)	433	419
Loans and mortgages	89	(87)	2	97	27	124
Property	160	44	204	168	35	202
Cash and other investments	102	(132)	(30)	131	22	153
Total	1,713	(3,278)	(1,565)	1,589	2,261	3,849

Table 5: CLG consolidated investment income

Investment return on assets held to meet insurance liabilities fell in comparison to the previous year mainly due to a fall in the value of Equities and Fixed Income Securities. Volatility in the financial markets in the last quarter of 2018 drove a fall in equity markets that lead to significant realised and unrealised losses in 2018. Interest rate changes have been relatively smaller in 2018 and hence we have seen smaller changes in the fair values of Fixed Income Securities.

The investment performance of the subsidiaries and their individual lines of business is analysed in the SFCR reports for each subsidiary, a list of web links is available in Appendix 1.

A.4 Performance of other activities

As the holding company for the activities of the European undertakings, CLG performs no other activities.

A.5 Any other Information

The advent of Brexit has required us to examine our business operations in a number of areas:

The group structure has been updated to maintain good levels of governance and oversight (both internal and regulatory), to ensure we maintain adequate levels of capital, and to meet the anticipated regulatory requirements post-Brexit in both Ireland and the UK.

In March 2019, the Company has reorganised the corporate structure to include two insurance holding companies in Ireland that, post Brexit, will be subject to group supervision by the CBI and which will oversee all of the Irish based regulated entities in the group. These two holding companies are subsidiaries of CLG, which will continue to operate as an insurance holding company subject to group supervision by the PRA. The two new holding companies are positioned to exercise their Group Solvency II responsibilities when required.

B System of Governance

B.1 General Information on the System of Governance

The Company operates a three lines of defence risk governance model. In this model, the first line of defence against risk is the business functions. The second line of defence is the oversight and control functions of the business which control, monitor and report risks within the group risk governance structure. The third line of defence is the independent assurance provided by the Internal Audit function.

Responsibility for the CLG system of governance lies with the Board.

The Board has a lead role in:

- confirming the Company's strategy;
- clarifying the levels of risk that are acceptable in the delivery of the strategy; and
- ensuring that there is an appropriate control environment and sufficient risk-based capital across the Group to maintain its ongoing solvency, as required from time to time.

The relationship between the Board and the boards of directors of the Company's subsidiaries is important and requires an appropriate balance of oversight that allows the subsidiaries to fulfil their local responsibilities. The respective subsidiary and CLG Board charters and key function mandates are designed to facilitate this process.

B.1.1 Board

The Board is responsible for promoting the long term success of the Company for the benefit of its shareholder and other stakeholders. This includes ensuring that an appropriate system of governance is in place.

The Board is accountable for governance structures throughout the Group, which are designed to meet the Company's regulatory requirements while facilitating subsidiaries to meet their respective obligations under the applicable local laws and regulations. For Solvency II, a focus of the Board is to ensure the consistent design and operation of its governance systems and processes, such that overall the Company meets the legislative requirements.

The Board meets at least quarterly and receives reports and recommendations from time to time on any matter which it considers significant to the Company including, amongst other things, on strategic matters relating to business and investment performance, risk management issues and the performance of the internal control environment as well as regulatory updates relevant to the Group.

The Board is responsible for the CLG European Risk Management Framework and approves the risk appetite, risk mandates and risk limits for the Group. In coordination with the Company's subsidiary boards, the Board oversees how these risk mandates and limits are delegated to entities within the Group.

The Board considers the impact on the Group capital and solvency position when approving significant matters occurring in or between Group entities; for example changes to strategy or business plans, new products, reorganisations and significant acquisitions or disposals.

The CLG Board also plays a key role in articulating and maintaining a culture of risk awareness and ethical behaviour within the Company.

B.1.1.1 Board Committees

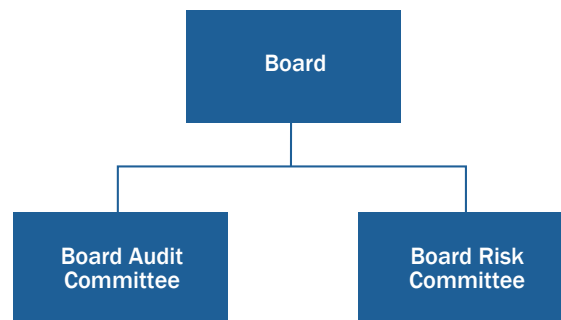


Figure 3: CLG illustration of the governance structure

The Board delegates various responsibilities to the CLG Board Audit Committee (BAC) and the CLG Board Risk Committee (BRC) including, for example, the establishment and continued monitoring of systems of control and risk management. Both committees provide regular reports to the Board. This ensures that the Board can be effectively advised and supported in respect of executing its decision making and oversight responsibilities.

B.1.1.2 Board Audit Committee

The BAC assists the Board in meeting its responsibilities for, amongst other things, the integrity of the Group's financial reporting in relation to its duty to confirm the integrity of information published in financial statements, and the effectiveness of the Company's internal control, as well as monitoring the effectiveness and objectivity of the internal and external auditors, and the finance, actuarial and compliance functions. The BAC reviews and concludes on the adequacy of the Company's system of internal control in line with its risk management system. It oversees risks inherent in the Group solvency reporting process by reviewing results and monitoring the adequacy and effectiveness of associated internal controls. In coordination with the Internal Audit function, the BAC reviews and approves the Group consolidated audit plan.

The CLG Finance and Actuarial functions report into the BAC through the CLG Chief Financial Officer (CFO). The BAC has the authority to, amongst other things, recommend to the Board approval of the appointment and/or removal of the CFO and the Head of Actuarial.

B.1.1.3 Board Risk Committee

The BRC supports the Board in discharging its duties relating to risk management. It provides direction and oversight in relation to the Group's overall risk management framework.

The BRC provides oversight of senior management, monitoring that management of the Company is consistent with business strategy, risk policies and risk appetite. It advises the Board in respect of its oversight responsibilities of CLG's principal risks including conduct, underwriting, credit, market, liquidity and operational risks, and the aggregation of those risks at Group level. It is also responsible for monitoring the impact of principal risks on the Group strategy. The Chief Risk Officer (CRO), through the BRC, escalates any breaches associated with the risk framework to the Board.

The CLG Risk and Compliance functions report into the CLG BRC. The CLG Compliance function reports into the BRC through the Chief Compliance Officer. The Risk function reports into the BRC through the CRO. The CRO, through the BRC, escalates any breaches associated with the risk framework to the Board. The BRC has the authority to, amongst other things, recommend to the Board approval of the appointment and / or removal of the CRO.

B.1.2 Material Changes in System of Governance

Reporting of the compliance function transferred from the BAC to the BRC in 2018. There were no other material changes in the system of governance during the reporting period.

B System of Governance

B.1.3 Remuneration

The Company's approach to remuneration is guided by the following principles:

- support the Company's objective of generating value for shareholders over the long term;
- attract, retain and reward qualified and experienced employees who will contribute to the success of the Company;
- motivate employees to meet annual corporate, divisional and individual performance goals;
- promote the achievement of goals in a manner consistent with the Code of Conduct; and
- align with regulatory requirements and sound risk management practices.

The Company's remuneration principles are outlined in the Remuneration Operating Policy which also sets out the Company's approach to managing risks associated with how staff are remunerated and incentivised.

The Remuneration Operating Policy helps to ensure:

- the remuneration programmes promote sound and effective risk management and align with the risk strategy and preferences as approved by the Board;
- the remuneration programmes are consistent with business and risk strategy and long-term shareholders' interests;
- the remuneration programmes promote the achievement of goals in a manner consistent with fair customer outcomes;
- the remuneration programmes are competitive and fair;
- the remuneration policy is available to all staff; and
- there is clear, effective and transparent governance in relation to remuneration.

The Remuneration Operating Policy takes into account the regulatory requirements applicable to the Company, including Solvency II arrangements, and the Board considers the alignment of the Company's remuneration practices with Solvency II on an annual basis. The CRO reviews the Remuneration Operating Policy for consistency with other risk management policies, and to ensure consistency throughout the Group, CLG's subsidiaries attest that they have complied with local remuneration policies that are aligned to the CLG Remuneration Operating Policy.

B.1.3.1 Share Options, Shares or Variable Components of remuneration

All remuneration programmes consist of four primary elements; a base salary, annual incentive bonus, pension and other benefits.

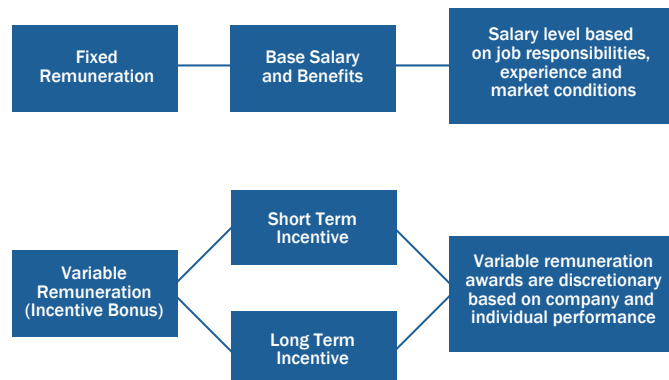


Figure 4: Remuneration summary

An annual incentive bonus scheme is in place which relates the overall remuneration to the performance of the Company. Any bonus award is based on the delivery of objectives that are closely aligned to the business goals within the Company's critical priorities. A number of incentive schemes exist which are linked to the level of the role in the organisation and, where appropriate, the type of role. Each member of staff has a number of operational and personal objectives set annually which may include objectives covering risk management and control. The proportion of remuneration that is fixed and that is variable is dependent on a number of factors, including an employee's role and their department. Variable pay for compliance, risk and internal audit staff is not materially dependent on the performance of the areas they oversee.

B.1.3.2 Supplementary Pension or early retirement Schemes for the Members of the management Body and other key Functions

CLG's current remuneration policy does not include any supplementary pension or early retirement schemes for members of the CLG Board or other key function holders.

B.1.4 Adequacy of the system of governance

The Board is satisfied that appropriate systems of governance were in place during the 2018 reporting period. This is based on the results of a number of self-assessment reports received from the control functions (Finance, Risk, Compliance, Actuarial and Internal Audit) as well as an internal Board self-assessment review.

B.2 Fit and proper requirements

CLG is committed to ensuring that all persons subject to the fit and proper requirements have the requisite qualifications, knowledge, skills and experience required to carry out their role (fitness assessment) and are honest, ethical, act with integrity and are financially sound (propriety assessment).

All individuals who effectively run the Company or have a key function have a job profile. Typically, the job profile sets out the accountabilities for the job, the level of knowledge, skills and experience required to carry it out, together with the behavioural competencies essential for the job. Before an appointment is made to one of these roles, a due diligence process is undertaken to ensure that the person is fit and proper for the role. The criteria for assessing whether a person is fit and proper and is financially sound are set out in the Company's Group Fit and Proper Policy.

The Group Fit and Proper Policy sets out the process for fit and proper assessments, initially and on an ongoing basis. As part of the annual review process for the policy, attestations are sought from relevant subsidiaries in relation to material compliance with the policy in the previous twelve months. The BAC is provided with the results of the attestation process.

Where CLG becomes aware that there may be concerns regarding the fitness and propriety of a person in a role subject to the Group Fit and Proper Policy, it will investigate such concerns and take appropriate action. CLG will notify the PRA of any such action taken where a negative conclusion has been reached.

CLG is reliant on attestations from subsidiary companies that they have complied with local fit and proper policies aligned to the Group Fit and Proper Policy.

B.3 Risk management system including the own risk and solvency assessment

The Board is responsible for the appropriate management of risks across the Group and has put in place a comprehensive risk management framework, which includes an Enterprise Risk Management policy to establish responsibilities for all key components of the risk management system. This policy details the three lines of defence model used by CLG and establishes responsibilities and requirements for the first, second and third lines of defence.

The Company has a CLG Risk Appetite Framework and a CLG Risk Strategy, which outline CLG's appetite for each risk and its strategy for accepting, managing and mitigating risks. Risk policies are in place which detail the management strategies, objectives, processes and reporting procedures and requirements for all risks accepted by CLG.

B System of Governance

The CLG CRO has primary responsibility for the implementation of the risk management system and, under the leadership of the CRO, the Risk function has established processes in place to ensure compliance with risk policies. Policy compliance is confirmed to the BRC as part of the annual review of risk policies. The Risk function also ensures that all risks are appropriately monitored and reported, including through quarterly reporting to the Board on risk exposures and compliance with risk limits.

Additional details of the risk profile of the business and risk management strategies, processes and reporting procedures in respect of each category of risk are detailed in Section C of this report.

B.3.1 Enterprise Risk Management

CLG's Enterprise Risk Management Policy is applied in conducting business and setting strategy across all areas of the Company. The process is designed to identify potential events or emerging issues that may affect the Company, to manage risks to remain within risk appetite limits and to provide reasonable assurance that company objectives are achieved.

The Enterprise Risk Management Policy defines key elements of Enterprise Risk Management framework. The ERM process sets the principles, concepts, processes and accountabilities which govern how risk is managed across the company.

CLG regularly monitors its risk profile against the limits in the Risk Appetite Framework. Data used in risk reporting is sourced from subsidiaries and, for CLG solvency measures, from the CLG actuarial team.

B.3.2 Risk Management Model – Three Lines of Defence

CLG has adopted the three lines of defence risk management model to enable a consistent application of risk management across the company. The model clearly segregates risk management, risk oversight and independent assurance responsibilities.

Line of Defence	Function	High Level Responsibilities
First Line Owns and manages the risks	Business and support functions	<p>Business units have primary responsibility and accountability for risk-taking and risk management.</p> <p>They are primarily responsible and accountable for the day-to-day risk management operations within the established risk management framework, including designing and implementing risk mitigation techniques and internal controls.</p> <p>Primary responsibility and accountability for risk identification, measurement, management, monitoring and reporting lies with first line operational business areas.</p>
Second Line Accountable for the independent oversight of risk-taking	Risk, finance, actuarial and compliance functions	<p>The second line of defence challenges and assesses the first line of defence's operation of the risk management framework and provides oversight of compliance with applicable laws and regulation.</p> <p>The risk and compliance functions are primarily responsible and accountable for the oversight of all risk-related activities and processes across the Company.</p> <p>The finance and actuarial functions provide control and oversight of finance-related activities and processes across the Company.</p>

Line of Defence	Function	High Level Responsibilities
Third Line Independently assess the adequacy of the design and operational effectiveness of the ERM framework	Audit	<p>The third line provides an independent assessment of the effectiveness of the first two lines of defence.</p> <p>Internal Audit is responsible for the provision of comprehensive assurance to the Board and senior management about the operational effectiveness and design of the risk management framework based on the highest level of independence and objectivity within the Company.</p>

Table 6: Three lines of defence model

B.3.3 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is owned and directed by the Board with support from the BRC.

The ORSA process is a key part of the risk management system. The process is used to integrate risk management into the Company's strategy and operations and to ensure that the risk profile remains within the risk appetite and capacity limits. It is underpinned by an ORSA Policy which establishes clear roles and responsibilities. The policy is reviewed and approved by the Board on an annual basis.

The ORSA provides the key link between the risk management system and capital management activities and the key assumptions underlying the business plans, including projected sales, expenses and new business margins. The analysis allows the Board to consider the risks associated with the business strategy and the impact of changing or stressing the key assumptions.

The outcome of the ORSA process is the ORSA report which summarises the results and considers how appropriate CLG's business strategy is relative to its financial resources and risk appetite. The ORSA is presented to and approved by the BRC annually or more often as necessary.

B.4 Internal Control System

The Board is responsible for the internal controls system at CLG and for monitoring the integrity of financial reporting systems and the implementation of internal controls and management information systems of the Company.

CLG operates a robust internal control system which is appropriate to its size, the nature of risks it faces and the complexity of its operations. The internal control framework is designed to ensure that controls are effectively aligned to risk exposures, thereby providing reasonable assurance regarding the achievement of the following objectives:

- reliability and accuracy of financial and non-financial information;
- integrity of reporting;
- compliance with external laws, regulations and internal operating policies; and
- effective risk management within approved risk appetite limits.

To achieve the objectives, the Company uses the three lines of defence model to support and monitor the various control activities undertaken by staff. The model clearly articulates the division of responsibilities for risk management between the three lines, the business and support functions, the Compliance and Risk functions and Internal Audit.

B System of Governance

The Company has processes in place to evidence:

- controls over financial results;
- the identification, assessment and management of risks and controls;
- the reporting and analysis of risk events; documentation and assessment of key business processes; and
- the identification and assessment of emerging risks.

The BAC requires management to implement and maintain appropriate internal control procedures and reviews, evaluates and approves those procedures;

The Group Internal Control Policy establishes the minimum requirements for the internal control system. As the owner of the Internal Control Policy, the CFO is responsible for ensuring the appropriateness of this policy through annual reviews and revisions. The policy is reviewed and approved by the Board on an annual basis.

B.4.1 Compliance Function

The compliance function is responsible for providing independent information and objective advice on, amongst other things, regulatory compliance issues and developments to the BRC. This allows the BRC to obtain a group-wide perspective on compliance matters and to fulfil its accountability for CLG and its subsidiaries' regulatory compliance control effectiveness. The compliance function takes into account the assessments of the adequacy of, adherence to and effectiveness of regulatory compliance management controls across the Company.

The compliance function conducts independent risk-based monitoring and testing of regulatory compliance across the Company. It reports to the BRC providing information regarding the overall state of compliance within the Company and on any material regulatory compliance management framework weaknesses, non-compliance, the impact of forthcoming regulatory change and preparedness, related action plans and material exposures to regulatory risk.

B.5 Internal Audit Function

The role of the internal audit (IA) function is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

The IA function applies a global comprehensive methodology framework and procedures which are in accordance with accepted industry practice including the International Professional Practices Framework as set out by the Institute of Internal Auditors. The Global Methodology and Standards team, within the Lifeco internal audit function, monitors that audit staff utilise and comply with approved methodology and procedures. As part of the on-going quality assurance and improvement programme an external assessment is conducted every five years and the results are communicated to senior management, the BAC and the Board.

Internal audit activity is carried out within the framework of a risk-based audit plan as approved by the BAC on an annual basis.

Internal audit prepares quarterly reports to the BAC summarising audit activity in the quarter, identifies weaknesses in the internal control environment, risk management, inadequacies in compliance with laws and regulations, recommendations to remedy weaknesses and updates to previous recommendations.

All audit reports are distributed to those members of the organisation who are in a position to take corrective action or ensure that corrective action is taken for findings identified.

IA is independent of the business management activities of the firm, thus enabling the businesses to carry out their work with full accountability. IA is not involved directly in revenue generation or in the management and financial performance of any business line. IA has neither direct responsibility for, nor authority over, any of the activities reviewed, nor does their review and appraisal relieve other persons in the Group of responsibilities assigned to them. IA are not responsible for developing, revising or installing systems, policies or procedures, or for appraising an individual's performance related to operations audited.

The Chief Internal Auditor, UK (CIA) has a direct reporting line and responsibility to the Chief Internal Auditor (GWL) and to the BAC for oversight matters. The BAC has sufficient authority to promote independence and to ensure a broad audit coverage and adequate consideration of audit reports. The BAC annually reviews and approves the mandate of the CIA, reviews and recommends the appointment/removal of the CIA to the Board and annually assesses the performance of the CIA and the effectiveness of the IA function. The BAC also reviews and approves the organisational and reporting structure, the IA department budget and resources and, through the Chairman of the BAC, has the authority to communicate directly with the CIA. The CIA maintains direct and unrestricted access to the BAC, and meets with the Chair of the BAC on regular basis, without management present. The CIA is responsible to the CLG Chief Operating Officer for operating matters and day to day management.

The CIA Mandate approved by the BAC notes that the CIA and IA function is independent of the activities that they audit and free from conditions that threaten their ability to carry out internal audit responsibilities in an objective manner. The internal audit activity is free from interference for matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective audit approach.

B.6 Actuarial Function

The actuarial function is responsible for the coordination of Solvency II actuarial requirements for the Company. It has oversight responsibilities for actuarial activities carried out across the Group. The function of Head of Actuarial is performed within the Company. CLG has outsourced all other elements of its actuarial function to an external service provider. The actuarial function is performed collectively by the Head of Actuarial and the external service provider.

The key responsibilities of the actuarial function are outlined below.

Solvency II Technical Provisions

- coordination of the calculation of the consolidated Technical Provisions in line with Solvency II requirements; and
- oversight across the CLG Group of the methodology, assumptions and quality of data used in the calculation of Technical Provisions to ensure an appropriate level of consistency and to determine the reliability and adequacy of the consolidated CLG Technical Provision calculation.

Risk Management

- contribute to the effective implementation of the risk management system, including providing technical support to the risk function for risk modelling, review and support to the development and maintenance of the Group PIM, supporting the production of stress and scenario tests and projection of Group Solvency II Balance Sheet and supporting the quantification of the Company's Own Solvency Needs Assessment.

B System of Governance

Solvency Monitoring

- support the finance function in calculating the CLG consolidated Own Funds, in particular considering any actuarial or fungibility restrictions;
- calculate the CLG consolidated SCR and MCR;
- produce a Profit and Loss Attribution explaining the key drivers for movements in Own Funds and SCR across valuation periods;
- monitor and manage the solvency position for the Group;
- support the finance function with the production of the actuarial Financial Stability Templates, Quantitative Reporting Templates, updates to the Regular Supervisory Report and the SFCR; and
- support the finance function in the process of financial reporting, planning and budgeting.

Reporting

- provide the actuarial function report for the Board.

Underwriting and Reinsurance Arrangements

- monitor compliance across the Group with the CLG Group Underwriting and Pricing Risk Policy and the overall adequacy of reinsurance arrangements and compliance with the CLG Reinsurance Risk Management Policy, informing senior management and the Board of any material concerns.

B.7 Outsourcing

B.7.1 Description of the Group Outsourcing and Supplier Risk Management Policy

In the appropriate circumstances, the outsourcing of specific business functions can be used to reduce or control costs, to free internal resources and to utilise skills, expertise and resources not otherwise available, resulting in significant benefits for the Company and its stakeholders.

CLG has a Group Outsourcing and Supplier Risk Management Policy which outlines the Company's approach and control objectives in overseeing outsourced activities and supplier risk management. It sets out the oversight responsibilities for management and requirements that apply across the Group. However, the outsourcing of specific business functions might expose the Company to additional risks and such risks must be identified and managed. The policy helps to identify and manage outsourcing risks through:

- identification of material supplier and outsourcing arrangements;
- appropriate approval of supplier and outsourcing arrangements;
- thorough evaluation of the capability of proposed service providers under material outsourcing arrangements;
- certain mandatory terms and conditions of material outsourcing contracts; and
- monitoring and control by both management and by the BAC of material outsourcing arrangements.

The Company takes a prudent and conservative approach to outsourcing, utilising an outsourcing risk management programme, including business continuity plans, designed to ensure that no outsourcing arrangement will be entered into if it would result in unacceptable risk.

B.7.2 Outsourcing of Critical or important operational Activities or Functions

CLG is currently utilising several service providers to undertake critical or important functions on its behalf. Details of the functions and activities provided and the jurisdictions in which they operate are shown in the following table.

Type	Description of service provided	Jurisdiction of service provider
External	Actuarial services	UK
Group	Provision of Finance, HR, Risk, Internal Audit, Compliance, I.T. and investment management services	UK, Ireland

Table 7: Outsourcing arrangements

B.7.2.1 External outsourcing Arrangements

CLG has outsourced the support for its actuarial function to an external services provider which provides the following actuarial services:

- actuarial group reporting – including the production of board reports;
- technical services – including the calculation and aggregation and consolidation of key components of the Group balance sheet including Technical Provisions, Own Funds and capital;
- actuarial oversight collectively with the Head of Actuarial; and
- actuarial support to other key functions.

B.7.3 Information on any material Intra-group Outsourcing Arrangements;

Material outsourcing arrangements held by CLG subsidiary insurance undertakings are set out in their respective SFCRs, for web links see Appendix 1.

B.8 Any other Information

There is no other material information about the system of governance.

C Risk Profile

CLG is an intermediate holding company for Great-West Lifeco's businesses in the EU. In the main, its risk profile reflects the consolidated risk profiles of its subsidiaries, in particular, its main four regulated insurance and reinsurance subsidiaries: CLL, ILA, CLRel and CLE. In 2018, CLG acquired MGMA which is currently a standalone insurance subsidiary of CLG but whose insurance business is planned to be transferred into CLL in early 2020.

CLG assesses its risk exposure by using the Standard Formula to calculate its SCR with the exception of MGMA for which a PIM is used. The MGMA PIM was approved in 2016 prior to CLG's acquisition of the business and is used to calculate the spread risk SCR associated with MGMA's corporate bond and ERM holdings. CLG plans to make an application to the PRA in 2019 to use its own PIM to calculate Spread, Longevity and Catastrophe risk SCR for exposures in CLL and spread risk SCR in MGMA. Once approved CLG's PIM will immediately replace the MGMA PIM, approved in 2016 for spread risk in MGMA. When the MGMA business transfers to CLL, MGMA risk exposures will all be modelled under the CLL approved PIM.

The chart below shows the split of CLG's risk profile by the main risk types. Note that throughout this section we have included Spread risk SCR under Credit risk (whereas the Standard Formula includes Spread risk under the Market risk sub-module).

CLG Risk Profile

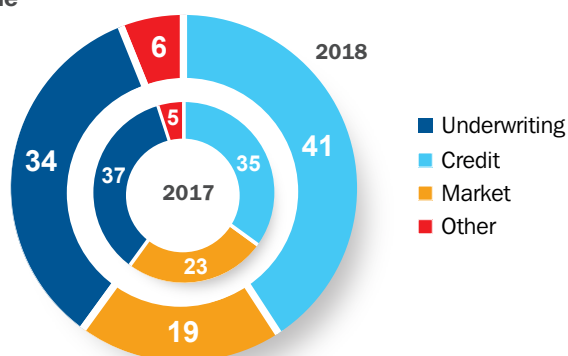


Figure 5: CLG diversified Risk SCR shown as a percentage

During 2018 there have been two events occurred which have had a significant impact upon CLG's risk profile. Firstly, as noted above MGMA was acquired in January 2018. This acquisition increased CLG's annuity exposure and its associated exposure to credit and longevity risk – however given the relative size of MGMA's annuity portfolio to CLG, the addition of this portfolio to the overall credit and longevity risk exposure at the CLG level was not material. The acquisition did however give CLG its first exposure to ERMs which Stonehaven originate and which MGMA use to fund their annuity liabilities. The second event which occurred is that the retroceded US mortality protection business has been novated out of CLRel. This has led to a significant change in CLRel's risk profile, with a large reduction in its SCR driven by falls in mortality, persistency and currency risks. The reduction in those risks means that credit risk takes up an increasing share of CLG's diversified risk profile.

The risk profiles of the main subsidiaries are described in SFCRs for the individual companies. A list of web addresses is available in Appendix 1.

This report also contains a description of material risk exposures for CLG which do not arise from the insurance subsidiaries, together with a description of the risk sensitivity of CLG's consolidated risk profile, informed by the results of stress tests and scenario analysis, risk concentrations and significant intra-group transactions at and across CLG.

CLG's Board-approved Risk Appetite Framework is reviewed annually and sets out the company's risk appetite, including limits against specific exposures linked to CLG's defined preferences for each risk.

The risk function oversees the ORSA process, which assesses the projected risk profile and solvency position of the company against its defined risk appetite. The ORSA includes a group-wide stress and scenario testing exercise which tests the resilience of the company's solvency position in adverse conditions.

Stress and Scenario Testing

The Company also uses stress testing to measure its risk profile and to understand the sensitivity of the solvency ratio to a range of risk events. Stress tests are regularly carried out on the key risk exposures to help inform decision making and planning processes and to help to identify and quantify the risks to which the Company is exposed.

Results of stress testing in relation to key risk sensitivities are set out below. The table below illustrates the absolute change in the Company's solvency coverage ratio that would result from the stresses shown. The impact of each stress on the value of CLG and subsidiary companies is taken into account. All other assumptions remain unchanged for each stress.

The impact of the sensitivities is broadly similar to prior year reflecting the fact that the underlying risk profile of CLG is broadly unchanged over the year.

Sensitivity	2018 Impact on CLG solvency ratio	2017 Impact on CLG solvency ratio
0.5% increase in interest rates	5%	6%
0.5% fall in interest rates	-5%	-7%
0.5% increase in credit spreads	1%	2%
10% fall in equity and property values	-4%	-4%
10% increase in maintenance expenses	-4%	-3%
10% increase in policy lapse rates	0%	1%
10% reduction in policy lapse rates	0%	-1%
5% increase in mortality rates (assured lives)	-1%	-1%
5% deterioration in morbidity experience	-3%	-2%
5% decrease in annuity mortality rates	-9%	-9%

Table 8: Results of sensitivity testing

Transitional relief on Technical Provisions is assumed to be recalculated in all sensitivities where the impact would be material. Sensitivities will change over time as the size of the balance sheet changes and will depend on market conditions.

C.1 Underwriting Risk

Underwriting risk is the risk of loss resulting from adverse changes in experience associated with contractual promises and obligations made under insurance contracts. Underwriting risk includes uncertainties around the ultimate amount of net cash flows (premiums, commissions, claims, pay-outs and related settlement expenses), the timing of the receipt and payment of these cash flows, as well as the impact of policyholder behaviour (for example, lapses).

The Company identifies a number of broad categories of underwriting risk, which may contribute to financial losses: longevity risk, mortality and morbidity risk, expense risk, lapse risk and catastrophe risk. Mortality risk, morbidity risk and longevity risk are core business risks and the exchange of these risks into value is a core business activity. Lapse risk and expense risk associated with offering the core products are accepted as a consequence of the business model and mitigated where appropriate. Catastrophe risk relates to potential losses in relation to concentrated mortality or morbidity exposures, as a result of extreme events such as pandemics or terrorist attacks.

C Risk Profile

The business strategies of the insurance subsidiaries are to take on a variety of underwriting risks. CLG holds regulatory capital against each material underwriting risk exposure.

Underwriting Risk SCR

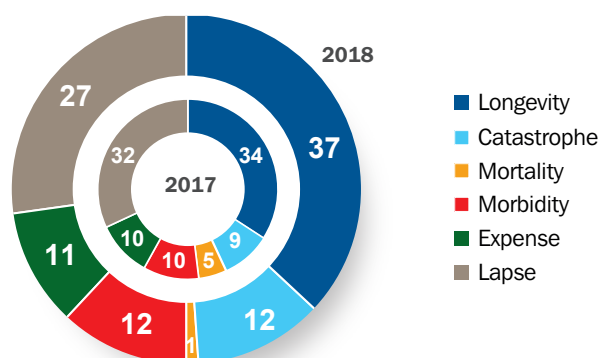


Figure 6: Underwriting risk diversified SCR shown as a percentage

CLG's underwriting risk profile has become increasingly exposed to by longevity risk during 2018. This is partly due to more longevity risk being taken on as a result of the MGMA acquisition and ongoing originations of annuity business (although this is offset by longevity swaps implemented with Lifeco companies outside CLG). At the same time there has been a significant reduction in lapse and mortality risk as result of the novation of US protection business out of CLRel.

C.1.1 Longevity Risk

Longevity risk is the Company's largest underwriting risk in terms of the Standard Formula SCR and arises primarily from its annuity business. The risk is that annuitants live longer than expected whereupon the Company will be required to make additional annuity payments.

Business is priced using mortality assumptions which are regularly updated to take into account recent Company and industry experience and the latest research on expected future trends in mortality. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk as appropriate.

There are processes in place to verify annuitants' eligibility for continued income benefits. These processes are designed to ensure annuity payments are paid to those contractually entitled to receive them and help ensure mortality data used to develop pricing and valuation assumptions is as complete as possible.

C.1.2 Mortality and Morbidity Risk

Mortality risk is the risk of loss resulting from adverse changes in mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance contract liabilities.

Morbidity risk is the risk of loss resulting from adverse changes in disability, health, critical illness and other sickness rates, where an increase in the incidence rate or a decrease in the disability recovery rate leads to an increase in the value of insurance contract liabilities.

There is a risk of incorrectly estimating the level of mortality or morbidity, or accepting customers who generate worse mortality and morbidity experience than expected.

The Company employs the following practices to manage its mortality and morbidity risk:

- research and analysis is done regularly to provide the basis for pricing and valuation assumptions to properly reflect the insurance and reinsurance risks in markets where the Company is active;
- underwriting limits, practices and policies control the amount of risk exposure, the selection of risks insured for consistency with claims expectations and support the long-term sustainability of the Company;
- the Company sets and adheres to retention limits for mortality and morbidity risks. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk where appropriate;
- for group life products, exposure to a concentrated mortality event due to concentration of risk in specific locations could have an impact on financial results. To manage the risk, concentrations are monitored for new business and renewals. The Company may impose single-event limits on some group plans and declines to quote in localised areas where the aggregate risk is deemed excessive. Effective plan design and claims adjudication practices for morbidity risks are critical to the management of the risk. As an example, for group healthcare products, inflation and utilisation will influence the level of claims costs, which can be difficult to predict. The Company manages the impact of these and similar factors through plan designs that limit new costs and long-term price guarantees and include the ability to regularly re-price for emerging experience; and
- the Company manages large blocks of business, which, in aggregate, are expected to result in relatively low statistical fluctuations in any given period. For some policies, these risks are shared with the policyholder through adjustments to future policyholder charges or in the case of participating policies through future changes in policyholder dividends.

C.1.3 Expense Risk

Expense risk is the risk of loss resulting from adverse variability of expenses incurred with fee-for-service business or in servicing and maintaining insurance, savings or reinsurance contracts, including direct expenses and allocations of overhead costs. Expense management programmes are regularly monitored to control unit costs while maintaining effective service delivery.

C.1.4 Lapse Risk

Lapse risk is the risk of loss resulting from adverse changes in the rates of policy lapses, terminations, renewals and/or surrenders.

Many products are priced and valued to reflect the expected duration of contracts. There is a risk that the contract may be terminated before expenses can be recovered, to the extent that higher costs are incurred in early contract years.

Risk also exists where the contract is terminated later than assumed, on certain long-term level premium products where costs increase by age.

Business is priced using policy termination assumptions which take into account product designs and policyholder options, recent Company and industry experience and the latest research on expected future trends. Assumptions are reviewed regularly and are updated for new policies as necessary.

C Risk Profile

C.1.5 Catastrophe Risk

CLG is exposed to events (e.g. terrorism attack) which could have a high mortality and morbidity impact in a geographical area with a high concentration of lives insured through group schemes written by CLL and Irish Life. The UK group insurance business has a material concentration exposure in central London due to the close proximity of buildings, high insurance value of lives covered and London's prominent status which makes it a possible target of terrorist attacks.

For group life products, exposure to a concentrated mortality event due to concentration of risk in specific locations could have an impact on financial results. To manage the risk, concentrations are monitored for new business and renewals. The companies may impose single-event limits on some group plans and decline to quote in localised areas where the aggregate risk is deemed excessive.

Catastrophe risk also covers events such as pandemics which impact over a wider geographical area. Aggregate mortality and morbidity risk exposures across the group are regularly monitored.

C.2 Market Risk

Market risk is the risk of loss arising from potential changes in market rates and prices impacting future cash flows of the Company's business activities. Market risks include interest rate, equity market, real estate, liquidity and foreign exchange rate risks.

The Market Risk Management Policy sets out the market risk management framework and defines the principles for market risk management across CLG. This policy is supported by a number of other policies and guidelines that provide detailed guidance. An effective governance structure has been implemented for the management of market risk.

Market risk is primarily assumed and managed by subsidiaries but there is potential for aggregation at group level. The Company has established group level management committees to provide oversight of aggregated market risk, including the development of market risk limits, key risk indicators and measures to support the management of market and liquidity risk in compliance with the Company's Risk Appetite Framework. Each subsidiary also has established oversight committees and operating committees to help manage market risk at subsidiary level.

Risks and risk management activities associated with the broad market risk categories are detailed below.

The chart below summarises the market risk SCR after diversification.

Market Risk SCR

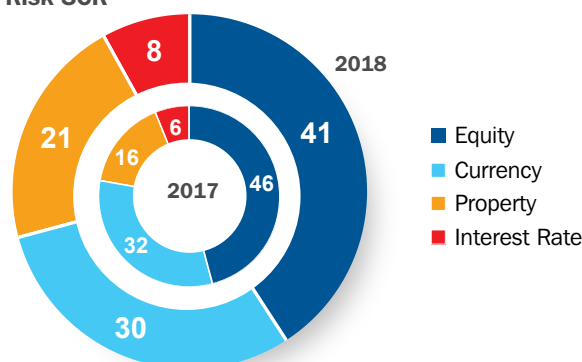


Figure 7: Market risk diversified SCR shown as a percentage

CLG's market risk profile has been broadly stable – the main change is a decline in the share related to equity risk which is driven by falls in equity markets during 2018. The novation of US mortality protection business from CLRel in early 2018 reduced the currency risk SCR.

CLG has a number of insurance subsidiaries whose business strategies involve taking on a variety of market risks.

C.2.1 Interest Rate Risk

Interest rate risk is the risk of loss resulting from the effect of the volatility and uncertainty of future interest rates on asset cash flows relative to liability cash flows and on assets backing surplus. The Company's exposure to interest rate risk arises from certain general fund and unit-linked fund products, principally through its annuity business.

The Company's Asset Liability Management (ALM) strategy has been designed to mitigate interest rate risks with close matching of asset cash flows and insurance contract obligations. Products with similar risk characteristics are grouped together to ensure an effective aggregation and management of the Company's ALM positions. Asset portfolios backing liabilities are segmented to align with the duration and other characteristics (for example, liquidity) of contract liabilities. The main exception to this matching strategy is the defined benefit pension schemes where a high proportion of equities are used to back the long-term liabilities.

For insurance subsidiaries which write long duration business such as annuities, the overall Solvency II capital ratio has a greater sensitivity to changes in interest rates. This is because falls in interest rates lead to increases in the risk margin and SCR (neither of which are stressed in the SCR calculation itself in accordance with the rules of Solvency II) with a more limited impact on the value of surplus assets which are generally invested at shorter effective durations.

CLG also has exposure to interest rate risk through its staff pension schemes, where invested assets are less closely matched by duration to the contractual liabilities than for the insurance business. Changes in interest rates can directly impact the position of the pension scheme as asset and liability valuations may not move in line with each other – these impacts feed through into CLG's overall balance sheet. All CLG's staff pension schemes are now closed to future accruals.

CLG and its subsidiaries manage and mitigate interest rate risk:

- through cash flow matching of assets to long-term liabilities. A full range of sensitivity tests are regularly carried out to confirm that the assets and liabilities remain closely matched.
- through reinsurance of annuity liabilities (in particular the longevity risk which drives both Longevity risk SCR and Risk Margin sensitivity) outside CLG.
- by setting limits and monitoring the aggregate interest rate exposure retained by the Group.

The SCRs held at subsidiary level reflects the more onerous of the upward and downward stresses. Some subsidiaries are exposed to interest rate rises and so use the upward interest rate stress for their SCR calculation whereas the CLG SCR is based on the downward interest rate stress which predominates overall. Current interest rates are at historically low levels, contributing to the relatively small size of the interest rate SCR.

CLG carried out stress testing on interest rate risk during 2018. CLG's exposure to interest rate risk is driven mainly by its annuity business.

C Risk Profile

C.2.2 Equity Risk, including Property Risk

Equity risk, which in our definitions includes risk relating to property assets, is the risk of loss resulting from the sensitivity of the values of assets, liabilities, financial instruments and fee revenue due to changes in the level or in the volatility of prices of equity markets. The Company's principal exposure to equity risk arises from unit linked funds and fee income associated with the Company's assets under management. Approved investment and risk policies also provide for general fund investments in equity markets within defined limits.

The Group offers some products with investment guarantees. The associated market risks are almost completely reinsured, mitigating the market risk exposure at CLG.

CLG holds a portfolio of commercial property assets, the rental yields on which form part of the overall investment strategy to fund the UK annuity business. Investment limits are in place to manage this exposure.

C.2.3 Currency Risk

Foreign exchange risk is the risk of loss due to changes in currency exchange rates. The Company's foreign exchange investment and risk management policies and practices are to match the currency of the Company's general fund investments with the currency of the underlying insurance and investment contract liabilities.

To enhance portfolio diversification and improve asset liability matching, the Company may use assets denominated in other currencies together with foreign exchange derivatives to mitigate currency exchange risk to the extent this is practical through the use of forward contracts and swaps.

CLG is exposed to currency risk through falls in the value of its Own Funds as a result of movements in the value of sterling in relation to other currencies, mainly the euro. The main exposure is that a fall in the value of the euro to sterling will reduce the value of excess Own Funds in those of its subsidiaries which are denominated in euros.

CLG's currency risk to movements in the US dollar relative to pound sterling fell during 2018 as a result of the novation of US protection business out of CLRel.

CLG manages and mitigates currency risk in a number of ways including a partial currency hedge which CLL has in place against currency movements for its euro denominated Irish Life group exposure. Reporting on the effectiveness of the hedge is carried out regularly, and limits are in place to prompt a review of the partial hedge position.

C.3 Credit Risk

Credit risk is the potential loss of earnings or capital arising from the inability or unwillingness of a counterparty to meet its contractual obligations to the Company.

The Company's credit risk management framework focuses on minimising undue concentration within issuers, connected companies, industries or individual geographies by emphasising diversification as well as by limiting new exposures to investment grade assets as per the Company's Group Investment Policy.

Diversification is achieved through the establishment of appropriate limits and transaction approval authority protocols. The Company's approach to credit risk management includes the continuous review of its existing risk profile relative to the risk appetite framework as well as the projection of potential changes in the risk profile under stress scenarios. Effective governance of credit risk management is enabled through the involvement of senior management, experienced credit risk personnel, and with the guidance of credit risk policies, standards and processes.

The BRC advises the Board on credit risk oversight matters and approves and monitors compliance with credit risk policies and limits. It also provides oversight of the Credit Risk Management Policy and related processes, and is responsible for ensuring compliance with the Company's risk appetite framework.

The chart below summarises the credit risk SCR by entity after diversification.

Credit Risk SCR

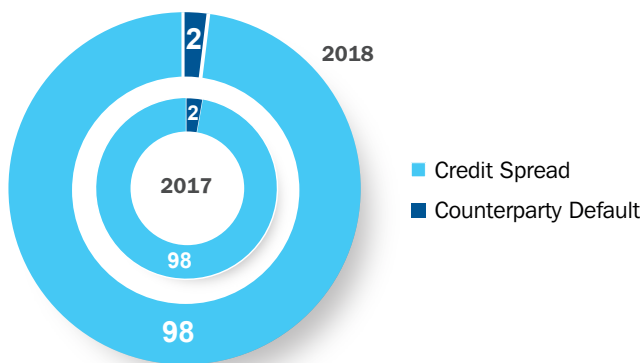


Figure 8: Credit risk diversified SCR shown as a percentage

As the graph illustrates, most of CLG's credit risk is captured in the credit spread SCR, which covers spread, default and downgrade risk on bonds and commercial mortgages. CLG also holds capital against the risk of counterparty default in relation to reinsurance and hedging arrangements – this includes an allowance for the internal reinsurance with other companies in the Great-West Life group.

As noted earlier in this section, the acquisition of MGMA in early 2018 increased CLG's credit risk exposure in relation to the corporate bonds MGMA uses to back its annuity business. MGMA also uses ERMs to back its annuities, which is captured under the Credit Spread SCR and covered below.

CLG has a number of insurance subsidiaries whose business strategies involve taking on a variety of credit risks, primarily through investing in credit-based assets to back long-term annuity liabilities.

C.3.1 Fixed Income Investment Risk

The Company's exposure to fixed income investment risk primarily arises from investment in assets that provide income that is expected to meet future annuity payments. A range of investments including corporate bonds, government bonds, commercial mortgages and finance leases are used to provide this income. Fixed income investment risk exposure also arises from the Company's surplus assets, although these are generally invested in government bonds and money market instruments which are considered relatively low risk.

Fixed income investment risk is the largest contributor to the Standard Formula SCR. Exposure to this risk has remained relatively stable over 2018.

CLG breaks down fixed income investment risk into the following components:

- **default risk** – The risk arising of financial loss attributed to the default of a security in its financing obligations. Securities included in this risk category cover both corporate and government debt, in either fixed income or floating note form;
- **downgrade risk** – The risk arising of financial loss attributed to the downgrade of a security's credit worthiness. Securities included in this risk category cover both corporate and government debt, in either fixed income or floating note form; and
- **spread risk** – The risk arising of financial loss attributed to a change in the yield premium required by the market in respect of credit risk on risky assets. Securities included in this risk category cover both corporate and government debt, in either fixed income or floating note form.

C Risk Profile

The Company and its subsidiaries currently use the following risk management techniques for fixed income investment risk exposure:

- **credit reviews** – investments are acquired where, after detailed analysis, the returns are considered to be favourable after taking account of the underlying risks. Credit ratings are determined by an internal credit review carried out by the Investment Division and, when available, compared with ratings provided by external credit rating agencies. Credit ratings are subject to a formal governance process, including independent oversight, and are reviewed at least annually;
- **policies and standards** – sets out the investment practices to which the Company adheres. Controls are in place to ensure that processes and systems are operating as expected. Operational limits are used to determine whether to accept risk for individual investments. Concentrations are managed through investment limits, which specify an acceptable range for each category and credit rating allowing the Company to maintain a well-diversified portfolio. Concentrations are monitored on a regular basis and reported to the Board;
- **reinsurance** – the subsidiaries currently reinsure a significant proportion of their annuity business on both a quota share and longevity swap basis. This has the effect of reducing the exposure to fixed income investment risk associated with assets backing annuities. The Company regularly monitors and reports on the performance and effectiveness of existing reinsurance arrangements;
- **use of Solvency II Long Term Guarantee measures** – Solvency II Long Term Guarantee measures (MA and VA) give insurers credit for holding certain long-term assets which match the cash flows of a designated portfolio of liabilities. These measures help to reduce the exposure to spread risk and reduce the volatility of the Solvency II balance sheet. To ensure the continued effectiveness of these measures, the management of the related assets and liabilities is monitored on a regular basis; and
- **governance and oversight** – CLG's credit risk exposures are managed according to its investment policy and overseen by its Credit and Market Risk Committee.

C.3.2 Equity Release Mortgages

CLG's acquisition of MGMA has given the Company its first exposure to ERMs which Stonehaven originate and which MGMA use to fund their annuity liabilities. To ensure efficient balance sheet and capital treatment under Solvency II, the ERMs are restructured into fixed and floating coupon loan notes for which required risk capital is assessed using a PIM.

C.3.3 Counterparty Risk

Subsidiaries cede insurance risk through reinsurance arrangements in order to mitigate insurance risk. Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimise reinsurance credit risk by setting rating based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds withheld arrangements where possible.

Subsidiaries use derivatives for risk mitigation purposes. Derivative products are traded through exchanges or with counterparties approved by their respective Boards. The subsidiaries seek to mitigate derivative credit risk by setting ratings based counterparty limits in their investment policies and through collateral arrangements where possible.

C.4 Liquidity Risk

Liquidity risk is the potential loss of earnings or capital arising from a company's inability to generate the necessary funds to meet its obligations as they come due.

The responsibility for the design and operation of liquidity management activities, methods, controls and processes lies with the subsidiaries and they manage their liquidity profile in such a way that they can meet all obligations under stressed conditions. Each is responsible for monitoring liquidity risk appetite and policy compliance.

By applying a common liquidity risk appetite limit framework across the Group, the Company provides oversight of subsidiaries' liquidity risk management and review of liquidity plans.

In addition, CLG is responsible for managing liquidity risk at group level and to ensure that CLG holds sufficient liquid assets to meet its liquidity calls as they fall due. It has procedures in place to facilitate cash management and to ensure that adequate liquid assets are held and are of good quality.

CLG's primary exposures to liquidity risk are its:

- obligations to meet its internal running and debt servicing costs; and
- ability to generate dividend income from its subsidiaries and pay dividends up to its parent company.

Liquidity risks are managed by regularly monitoring the liquidity position relative to defined limits.

C.5 Operational risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk can result from either normal day-to-day operations or a specific unanticipated event. Operational risks include legal and regulatory, people, infrastructure, process, fraud and supplier risks.

C.5.1 Operational Risk Management

While operational risks can be mitigated and managed, they remain an inherent feature of the business model, as multiple processes, systems, and stakeholders are required to interact across the enterprise on an ongoing basis. Subsidiaries actively manage operational risk across the enterprise in order to maintain a strong reputation and standing, maintain financial strength and protect value. On-going engagement of businesses and support functions across the enterprise through robust training and communications is regularly undertaken for identifying, assessing and mitigating operational risk issues.

Operational risk management governance and oversight reflects a combined effort between business units and oversight functions. This combined effort is particularly critical for management of operational risk and is a key factor for ensuring the Company remains within its risk appetite. The risk function is responsible for development of operational risk management policies and operating standards as well as for overseeing operational risk management activities performed in the first line of defence. Each subsidiary has established committees to oversee operational risk management within their business.

The Company has an Operational Risk Management Policy, supported by standards and guidelines. The Company implements controls to manage operational risk through integrated policies, procedures, processes and practices, with consideration given to the cost/benefit trade-off. Processes and controls are monitored and refined by the business areas and periodically reviewed by the Company's Internal Audit department. Financial reporting processes and controls are further examined by external auditors.

C Risk Profile

The risk function monitors the status of remedial actions being undertaken to ensure that risk exposures are mitigated in a timely manner and that processes are in place to escalate significant matters to senior management to enable appropriate action when needed. The risk function reports quarterly on the Company's operational risk profile to executive management and the Board.

Key operational risks and the Company's approach to managing them are outlined below.

C.5.1.1 Legal and Regulatory Risk

Legal and regulatory risk arises from non-compliance with specific local or international rules, laws, and regulations, prescribed practices, or ethical standards as well as civil or criminal litigation against the Company. The Company and its subsidiaries are subject to extensive legal and regulatory requirements from Canada, the EU, the UK, Ireland and other jurisdictions. The scope of requirements covers most aspects of the Company's operations including capital adequacy, liquidity and solvency, investments, the sale and marketing of insurance and annuity products, the business conduct of insurers, asset managers and investment advisers as well as reinsurance processes. Material changes in the legal or regulatory framework or the failure to comply with legal and regulatory requirements could have a material adverse effect on the Company.

Legal and regulatory risk is managed through coordination between first and second line of defence functions. The Company records, manages and monitors the regulatory compliance environment closely, using the compliance and legal subject matter expertise at both solo and group level and reporting on emerging changes that would have significant impact on operations or business.

C.5.1.2 People Risk

People risks can arise from an inability to attract, retain, train and develop the right talent, ineffective governance practices or legal action related to discrimination, and can impact the ability of the Company to meet its business objectives. The Company maintains a highly skilled workforce that is reflective of the diverse cultures and practices of the countries in which the Company operates. Human resource programmes, including competitive compensation programmes, succession planning and assessing and addressing employee engagement, are in place to manage these risks.

C.5.1.3 Infrastructure Risk

Infrastructure risk arises from reduced or non-availability of any aspect of a fully functioning business environment. This includes corporate facilities, physical assets and/ or technology (technology assets, systems, applications), security (logical, physical and cyber), failures in licence management and insufficient software/application support.

The ability to consistently and reliably obtain securities pricing information, accurately process client transactions and provide reports and other customer services is essential to the Company's operations. A failure of any of these services could have an adverse effect on the Company's results of operations and financial condition and could lead to loss of client confidence, harm to the Company's reputation, exposure to disciplinary action and liability to the Company's customers.

The Company maintains a resilient and secure environment by investing in and managing infrastructure that is sustainable and effective in meeting the Company's needs for a fully functioning and secure business operation that protects assets and stakeholder value. Infrastructure risk management programmes include strong business continuity capabilities across the enterprise to manage short-term incidents or outages and the recovery of critical functions in the event of a disaster. In addition, security measures are designed to deny unauthorised access to facilities, equipment and resources, and to protect personnel and property from damage or harm (such as espionage, theft or terrorist attacks) and events that could cause serious losses or damage.

C.5.1.4 Technology, Cyber Security and Data Risk

Technology Cyber Security and Data Risk is an integral component of Infrastructure Risk. Similar to other major financial institutions, the Company faces heightened technology and cyber risks due to its reliance on the internet and use of technology to serve customers. The risks faced include the threat of corporate espionage, identity theft and hacking, including the risk of denial of service or ransomware attacks.

To remain resilient to such threats and to protect customers, brand and reputation, the Company continues to invest in capabilities to prevent, detect, respond and manage such cyber security threats. More specifically, the Company has established enterprise-wide cyber security programmes, benchmarked capabilities to sound industry practices and has implemented robust threat and vulnerability assessment and response capabilities.

C.5.1.5 Process Risk

Inadequate or failed business processes can adversely impact the Company's financial results, relationships with customers and reputation. Process risk includes risks arising from significant change management initiatives such as business model changes, major systems implementation, new product introductions and leadership changes. In addition, model risk - the risk arising from inadequate or failed processes related to financial or risk modelling – is recognized as a key process risk.

Risk management ensures strategic alignment and congruency in all business activities, including change initiatives and business-as-usual activities, with the Company's operational risk appetite and considers the potential impact on the Company's reputation. Furthermore, the Company seeks to control processes across the value chain through automation, standardisation and process improvements to prevent or reduce operational losses.

C.5.1.6 Fraud Risk

Fraud can lead to financial loss or damage to reputation or both. Fraud management is built around the principles of prevention, detection and response. The Company promotes a culture of honesty, integrity, transparency and fairness in its internal operations and further manages fiduciary responsibilities through the Enterprise Fraud Risk Management Policy and Code of Conduct. The Company maintains a strong set of controls designed to prevent fraud and employs sophisticated data analytics to detect fraud. A fraud response plan is in place to deal with events through a coordinated investigative strategy to ensure stakeholders and the interests of the Company are protected.

C.5.1.7 Supplier Risk

The Company engages suppliers to maintain cost efficiency, to free internal resources and capital and to utilise skills, expertise and resources not otherwise available to the Company. The Company's profitability or reputation could be negatively impacted if suppliers do not meet Company standards for performance.

The Company uses a supplier risk management programme to minimise risks when engaging suppliers and to provide effective oversight and monitoring throughout the entire supplier relationship. This programme helps to ensure the arrangements, transactions and other interactions with suppliers meet standards for quality of service and risk management expectations.

C Risk Profile

C.5.2 Operational Risk Mitigation

CLG and subsidiaries recognise that they are exposed to operational risks as a result of their day-to-day business activities and the execution of business strategy. They take steps to mitigate such risks on an on-going basis, through the establishment of an effective control environment.

The Company also mitigates the impact of operational risk through the corporate insurance programme which transfers a portion of the operational risk exposure by purchasing insurance coverage that provides protection against unexpected material losses resulting from events such as property loss or damage and liability exposures. In addition, the Company purchases insurance to satisfy legal requirements and/or contractual obligations. The nature and amount of insurance protection purchased is assessed with regard to the subsidiary's risk profile, risk appetite and tolerance for the associated risks.

C.5.3 Operational Risk Stress Testing and Scenario Analysis

CLG has established an Operational Risk Management Policy approved by the Board. This policy requires subsidiaries to maintain a local stress and scenario testing framework that includes the development and analysis of an appropriate set of operational risk stresses. Subsidiary operational risk stress and scenario testing frameworks are commensurate with the scale and complexity of the business operations.

C.6 Other Material Risks

C.6.1.1 Conduct Risk

The risk to CLG, its subsidiaries and its customers from inadequate or failed processes that threaten customers' fair treatment including, but not limited to, inappropriate sales or advice processes, poor or opaque product design, misleading customer interactions, failure of its subsidiaries to deliver on their commitments and inadequate complaint resolution and claims handling.

The Company manages conduct risk by ensuring appropriate clarity of communications; applying sales and advice processes that are focused on fair outcomes to customers; seeking customer feedback; maintaining proper controls and adhering to Board-approved policies and processes. Conduct Risk is incorporated in risk management and compliance activities, including risk and control assessments, internal events reporting, emerging risk assessment, and other measurement, monitoring and reporting activities.

C.6.1.2 Strategic and Business Risk

Strategic and business risk arises as a result of failures of internal planning, ineffective strategic decision-making or changes to the external environment manifesting over the medium to long term. Strategic risk includes risks associated with the Company's holding company structure, potential future acquisitions and ongoing access to product distribution.

The Company manages strategic risk through proactive engagement, industry representation and a rigorous strategic planning process. The risk function is engaged in the business planning cycle to ensure business strategies are in alignment with the Company's risk appetite. The Company's strategic plan is reviewed with the Board and senior management, with the risk function providing objective assessment of strategic risks and risk mitigation plans. Significant risks and opportunities are identified, and a review of the alignment with risk strategy and qualitative risk preferences is completed. Initiatives, including those related to new markets, distribution channels, product design and investments, are also subject to independent risk review.

C.6.1.2.1 Holding Company Structure Risk

As a holding company, the Company's ability to pay interest, dividends and other operating expenses and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital.

Any payment (including payment of interest and dividends) by the principal subsidiaries is subject to restrictions set out in relevant insurance, securities, corporate and other laws and regulations.

In the event of the bankruptcy, liquidation or reorganization of any of these subsidiaries, insurance and investment contract liabilities of these subsidiaries will be completely provided for before any assets of such subsidiaries are made available for distribution to the Company. In addition, other creditors of such subsidiaries will generally be entitled to the payment of their claims before any assets are made available for distribution to the Company except to the extent that the Company is recognized as a creditor of relevant subsidiaries.

CLG management closely monitors the solvency and capital positions of its principal subsidiaries, as well as liquidity requirements.

C.6.1.2.2 Mergers and Acquisitions Risk

From time to time, the Company and its subsidiaries evaluate existing companies, businesses, products and services, and such review could result in the Company or its subsidiaries disposing of or acquiring businesses or offering new, or discontinuing existing, products and services. In the ordinary course of their operations, the Company and its subsidiaries consider, and discuss with third parties, the purchase or sale of companies, businesses or business segments. If effected, such transactions could be material to the Company in size or scope.

The Company and its subsidiaries undertake extensive due diligence upon any consideration of acquiring or disposing of businesses or companies or offering new, or discontinuing existing, products and services. In its consideration of strategic acquisitions, the Company may determine it to be prudent to hold a provision on its balance sheet for contingencies that may arise during the integration period following an acquisition.

C.6.1.2.3 Product Distribution Risk

The subsidiaries ability to market their products is significantly dependent on their access to a network of distribution channels and intermediaries. These intermediaries generally offer their clients products in addition to, and in competition with, the Company's products, and are not obligated to continue working with the Company. The loss of access to a distribution channel, the failure to maintain effective relationships with intermediaries or the failure to respond to changes in distribution channels could have a significant impact on the Company's ability to generate sales.

Product distribution risk is managed by maintaining a broad network of distribution relationships, with products distributed through numerous broker-dealers, managing general agencies, financial planners, banks and other financial institutions.

C Risk Profile

C.6.1.3 Environmental Risk

The Company may experience direct or indirect financial, operational or reputational impact stemming from environmental risk events, which include environmental issues, regulatory enforcement or costs associated with changes in environmental laws and regulations. The Company endeavours to respect the environment and to take a balanced and environmentally sustainable approach to conducting business.

C.6.1.4 Group Risk

The risk arising for CLG on an aggregate basis specifically due to its position as an intermediate parent company; for example from intra-group transactions, risk concentrations and contagion effects (including reputational considerations), and risks associated with cross-jurisdictional business operations. CLG also faces risks from being a part of the wider Lifeco group of companies. Reputational risk elements of group risk include the risk of a deterioration of CLG and/or a subsidiary's reputation or standing due to a negative perception of its image among customers, counterparties and fixed income investors, shareholders and/or supervisory authorities. Reputational risk can be regarded as a consequence of the overall conduct of CLG and its subsidiaries.

CLG has limited appetite for these risks but accepts them as a necessary trade-off for the benefits arising from the holding company structure. Risks are closely monitored and controlled through aggregate exposure monitoring and central control functions but cannot be fully mitigated.

C.6.1.4.1 Group Concentration Risk

Certain risks, set out below, taken on by multiple subsidiaries as part of their business strategies can, when aggregated, result in risk concentration for CLG.

C.6.1.4.2 Annuity Concentrations

Annuity business is written across the group giving rise to concentrations of associated risks at CLG – longevity risk, fixed income investment credit risk and interest rate risk. The risks are managed by the subsidiaries but are subject to limits set by CLG to allow it to manage the overall solvency position and amount of risk capital deployed across CLG.

C.6.1.4.3 Reinsurance within the GWL Group of Companies

CLG's insurance subsidiaries use 'internal' reinsurance to support their business strategies, to mitigate peak risk exposures and to manage volatility in solvency requirements. Internal reinsurance is defined as reinsurance to companies within the wider Great-West Life Assurance group.

In the event that GWL were to experience a significant deterioration in credit quality CLG and its subsidiaries could incur credit losses or increased capital requirements. CLG has strict governance processes over the use of reinsurance with affiliates, including exposure limits.

Details of reinsurance agreements can be found in each subsidiary's SFCR, web addresses for which can be found in Appendix 1.

C.7 Any other Information

Assets are invested in accordance with the Prudent Person Principle. CLG and its subsidiaries apply the prudent person principle by:

- only investing in assets and instruments whose risks can be properly identified, measured, managed, monitored, controlled and reported, and with risks that can be appropriately quantified as part of the ORSA and SCR assessment;
- ensuring that the assets held to cover the Technical Provisions are invested in a manner appropriate to the nature and duration of the insurance liabilities, and in the best interest of the policyholders and beneficiaries taking into account any disclosed policy objective;
- ensuring that the assets backing the SCR shall be invested to ensure the security, quality, and liquidity of the portfolio as a whole.

D Valuation for Solvency Purposes

D.1 Assets

D.1.1 Solvency II Balance Sheet Asset Values

Solvency II requires the Company to present a consolidated balance sheet in which the assets of the parent and its insurance/reinsurance subsidiaries are presented as those of a single economic entity. This requires that the carrying amount of the Company's investment in each of those subsidiaries is replaced by the fair value of the underlying assets held by subsidiaries.

All insurance and reinsurance subsidiaries, as well as ancillary service undertakings and insurance holding companies, are fully consolidated into the balance sheet on a line by line basis, by replacing the Company's investment in the subsidiary with the assets and liabilities of the subsidiary on a Solvency II basis.

All other participations are consolidated on the basis of the Company's proportional share of the subsidiaries' net assets and reported in the investments line in the Group's balance sheet as Holdings in related undertakings, including participations.

Consequently, the assets reported in the Group balance sheet are a combination of directly owned and indirectly owned assets. The Company is responsible for the valuation of its directly owned assets. Indirectly owned assets are valued by subsidiary companies in accordance with Group policy and the valuation approach is subsequently reviewed by CLG.

For the purposes of this report, the Company has produced financial comparatives on a C-IFRS basis. The C-IFRS numbers shown in this report have been used for Group reporting to the Canadian parent and, as such, have been subject to external audit. The methods used to consolidate the C-IFRS numbers for Solvency II reporting have not been subject to external audit.

The value for each material class of asset on the consolidated balance sheet at 31 December 2018 is shown below.

Asset Class	Document Reference	2018 £m	2017 £m
Assets held for index-linked and unit-linked contracts	D.1.2.1	46,212.4	46,008.1
Fixed Income Securities	D.1.2.2	24,884.1	23,650.1
Reinsurance Recoverable Asset	D.1.2.3	8,553.0	8,708.0
Deposits to Cedants	D.1.2.4	4,086.6	4,626.4
Loans and mortgages	D.1.2.5	2,396.4	2,484.2
Property (other than own use)	D.1.2.6	1,647.7	1,674.5
Equities	D.1.2.7	1,646.0	1,637.0
Deposits Other Than Cash Equivalents	D.1.2.8	822.0	935.3
Other Investments	D.1.2.9	616.5	119.7
Collective Investments Undertakings	D.1.2.10	595.2	517.7
Cash and Cash Equivalents	D.1.2.11	357.9	285.3
Any other assets, not elsewhere shown	D.1.2.12	235.7	225.5
Property, plant & equipment held for own use	D.1.2.13	141.6	135.7
Holdings in related undertakings, including participations	D.1.2.14	120.7	108.8
Reinsurance Receivables	D.1.2.15	108.7	101.9
Insurance & intermediaries receivable	D.1.2.16	103.3	122.7
Derivatives	D.1.2.17	42.0	45.4
Receivables (trade, not insurance)	D.1.2.18	32.2	26.7
Total Assets		92,601.9	91,412.9

Table 9: Solvency II asset valuation

D.1.2 Solvency Valuation Bases, Methods and Assumptions by material Asset Class

Under Solvency II, firms adopt a risk based approach to the valuation of all items reported in their Solvency II balance sheets. This generally means that assets are valued at an amount that would be paid under fair market conditions. CLG is subject to the use of the same bases, methods and main assumptions to value assets in the consolidated balance sheet as those used by the subsidiary companies.

The Company generally holds investment assets to either produce income or for capital growth to meet future insurance obligations.

D.1.2.1 Assets held for Index-linked and Unit-linked Funds

A unit-linked fund is an investment product that pools the premiums from many investors. Premiums are used to buy units in a fund. Investors select which fund to invest their premiums in and then fund managers invest premiums in a range of assets in line with the fund's objectives and mandate.

Funds can be internal or external. Internal funds are managed by the Company which has issued the policy. Policyholders select which fund to invest their premiums in and then the Company's fund managers invest those premiums. Subsidiaries also offer customers access to external funds. These funds operate in a similar manner to an internal fund but are managed by a chosen range of external fund management companies. Premiums invested in external funds and their administration remains the responsibility of the relevant subsidiary. Internal funds assets, such as shares and bonds, are valued on a daily basis (not on weekends or Bank Holidays) using current publicly quoted market prices. For external funds, daily valuations are provided by the external fund managers. Assets that do not have a day to day market price, such as commercial property, are valued at regular intervals by suitably qualified independent professionals.

The main components of a fund's Net Asset Value calculation are:

- fair value of the assets;
- dealing costs or trading fees associated with buying and selling assets;
- cash and cash equivalents;
- provisions for tax on investment income and capital gains on realised and unrealised gains; and
- ongoing fund charges.

The unit-linked funds invest in a number of investment assets, including:

- listed equities;
- fixed income securities;
- government bonds;
- corporate bonds; and
- commercial property.

Funds can also invest, where permitted by their investment mandate, in:

- derivatives;
- foreign currency;
- commercial mortgages;
- deposits;
- Exchange-Traded Funds; and
- collective investment schemes such as a unit trust, investment trust or Open-Ended Investment Company.

Commercial property held in unit-linked funds is revalued monthly. They are also assessed externally at least quarterly by a suitably qualified independent professional valuer.

D Valuation for Solvency Purposes

D.1.2.2 Fixed Income Securities

Fixed income securities include:

- government bonds;
- corporate bonds;
- private placements;
- structured notes; and
- collateralised securities.

Fixed income securities are held at their fair value. Fair value is determined by reference to quoted market bid prices primarily provided by a third party independent pricing source such as Bloomberg or Reuters.

Where prices are not available directly from an independent pricing source, the fair value is determined through the use of a valuation model based on discounting expected future cash flows to determine a present value. Valuation inputs typically include market returns and risk-adjusted spreads based on current lending and market activity.

D.1.2.3 Reinsurance Recoverable Asset

Amounts expected to be recovered from reinsurers are valued using valuation models. These valuation models calculate the present value of future policy payments using appropriate assumptions consistent with the relevant reinsurance treaty and calculation of Technical Provisions. A reduction to the value is applied to account for the possibility of each reinsurer defaulting under best estimate conditions based on their current credit rating.

The reinsurance recoverable assets for each business line are shown below.

At 31 December Line of Business	2018 £m	2017 £m
Annuities	7,458.3	7,907.5
Group Health	81.3	87.8
Group Life	48.6	43.1
Individual Health	69.4	76.4
Individual Life	895.5	593.2
Total	8,553.0	8,708.0

Table 10: Reinsurance recoverable assets for each business line

At 31 December 2018, the Company does not expect any recoveries from special purpose vehicles as the Company does not make use of special purpose vehicles.

D.1.2.4 Deposits to Cedants

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. Subsidiaries record an amount receivable from the ceding insurer which represents the premium due. Investment income on these funds withheld is credited by the ceding insurer to the subsidiary.

Under Solvency II, the deposits to cedants balance is required to be supported by a specific portfolio of investment assets. However, for a number of transactions where the deposits to cedants balance is not supported by a specific pool of assets, these balances are reclassified as Insurance and intermediaries receivables for Solvency II reporting.

D.1.2.5 Loans and Mortgages

Commercial mortgages are initially recognised on the date the loan is paid to the borrower. Subsequently, they are valued using a valuation model based on discounting expected future cash flows to determine a present value. Valuation inputs typically include market returns and risk-adjusted spreads based on current lending and market activity.

In cases where the Company does not expect to receive all contractual cash flows, the mortgage is valued at its net realisable value i.e. the estimated selling price less the estimated selling expenses and deductions.

Other loans including short-term interest bearing promissory loan notes are valued at par.

D.1.2.6 Property (other than for own use)

Under Solvency II, property assets are valued at fair value and are determined at least annually by suitably qualified independent professionals. In the period between valuations, there may be adjustments for material changes in property cash flows, capital expenditures or general market conditions. The determination of the fair value of investment properties requires the use of estimates, which may affect future cash flows. These estimates may impact:

- future leasing assumptions;
- rental rates;
- capital and operating expenditures;
- discount rate; and
- reversionary and overall capitalisation rates applicable to the asset based on current market conditions.

D.1.2.7 Equities

Equities include:

- ordinary shares;
- preference shares;
- Exchange Traded Funds; and
- unlisted equities.

Listed equities are valued at fair value using the closing bid price from the exchange where they are principally traded.

There is an immaterial holding of unlisted equities at the reporting date.

D.1.2.8 Deposits other than Cash Equivalents

Deposits other than cash equivalents comprise:

- short-term bonds, i.e. bonds that have an original term to maturity of less than three months from issue;
- money market funds (mutual funds which invest in bank deposits and short term debt instruments); and
- other short-term investments held to meet short-term cash requirements.

Under Solvency II, deposits other than cash equivalents are valued at fair value. Fair value is determined with reference to quoted market prices for the same asset. Third party price providers are the primary source of these prices.

D Valuation for Solvency Purposes

D.1.2.9 Other Investments

In 2018, Other Investments include ERM within MGMA. The ERM is held within a bare trust, which has issued Senior (fixed) and Junior (residual) notes supported by the underlying asset cash flows.

These cashflows have been valued by calculating a projection of the expected payments to be received on the loans and then discounting those future payments. These projected payments allow for the expected future loan interest payments, loan repayments, expenses and the impacts of the NNEG feature. The NNEG feature means that the loan redemption proceeds will not be greater than the value (at the time of loan redemption) of the property, on which the loan is secured. Stochastic modelling is used to capture the expected cost of this feature, which will depend on the expected rate and volatility of future house price growth.

Also reported as other investments are finance leases which are defined as leases which transfer to the leaseholder, substantially all the risks and rewards related to ownership of the leased asset. These assets generally comprise infrastructure assets that have been built and then set up under a leasing arrangement with a third party. In order to determine the fair value of the finance leases, the present value of future cash flows are discounted using an appropriate market based discount rate.

D.1.2.10 Collective Investments Undertakings

Collective investment undertakings invest capital raised from unit-holders (investors in the fund) in transferable or liquid securities so that any associated investment risk is spread amongst the unit-holders. Collective investment undertakings, such as investment trusts, are generally traded as securities on active investment exchanges. Asset fair values are generally determined by the last price of the security on the exchange it is principally traded. Collective investment undertakings such as unit trusts and open-ended investment companies, which are not traded on an investment exchange, are valued at the most recent price published or valuations provided by the fund manager.

D.1.2.11 Cash and Cash Equivalents

Cash and cash equivalents are valued at face value.

D.1.2.12 Any other Assets, not shown elsewhere

Any other assets, not shown elsewhere include other unit-linked assets not shown elsewhere on the balance sheet, for example, broker outstanding balances. This line also includes other non-linked assets not shown anywhere else on the balance sheet such as intercompany debtors, accrued external fees and management charges due.

The Company records these assets at their fair value, net of any amounts deemed as doubtful debts.

All other assets are valued at the future cash amount expected to be received.

D.1.2.13 Property, Plant and Equipment held for own use

The Property, Plant and Equipment (own use) asset class comprises owner-occupied properties, plant and equipment. Under Solvency II, subsidiaries value owner-occupied properties at fair value. Property valuations are provided by external chartered surveyors at open market value.

Plant and equipment includes office furniture, computer equipment, motor vehicles and other assets. They are valued at cost less accumulated depreciation. Given the nature and size of the assets (£28.8m) at the reporting date, cost less accumulated depreciation is assumed to equal fair value.

D.1.2.14 Holdings in related Undertakings including Participations

Participations are holdings of 20% or more of the voting rights or capital in subsidiary companies, where the subsidiary company is not fully consolidated. Companies that are classified as insurance holding companies, insurance or reinsurance undertakings or ancillary service units are fully consolidated. All other companies such as investment companies or other holding companies are classified as participations and brought into the Group's balance sheet as holdings in related undertakings.

Participations are valued as the percentage of the participation's Net Asset Value on a Solvency II basis. The Group's largest participations at the reporting date are holdings in:

- Commarket Group Financial Services Ltd £27.7m;
- Canada Life (UK) Limited £22.1m; and
- Irish Life Investment Managers Limited £19.9m.

D.1.2.15 Reinsurance Receivables

Reinsurance receivables represent payments due from reinsurers at the reporting date and payments due from multinational pooling arrangements. These payments are valued at the future cash amount expected to be received.

The subsidiaries' estimates of the amount due from reinsurers are consistent with the reinsured policy's claim liability.

Multinational pooling receivables are valued on an accruals basis to account for premiums and claims yet to be agreed with the Multi National Pool.

D.1.2.16 Insurance and Intermediaries Receivable

Insurance and intermediaries' receivable are policyholder payments or amounts from cedants due at the reporting date. These payments are valued at the future cash amount expected to be received.

Insurance and intermediaries receivables consist of amounts due from cedants at the reporting date. Amounts receivable are as agreed with the counterparty.

D.1.2.17 Derivatives

The fair market value of derivative contracts are obtained from the respective counterparties and the prices are validated against an independent over-the-counter derivative pricing data specialist where available. Otherwise, the Company values the contracts using valuation techniques including discounted cash flow analysis and option pricing models.

The following derivative contracts are in place:

- interest rate swap contract;
- foreign currency swap contracts;
- FX forward contracts; and
- swaption contracts.

To mitigate the credit risk of exposure to counterparties, all over-the counter contracts are fully collateralised. The Company and its subsidiaries only enter into derivative transactions for Efficient Portfolio Management and risk mitigation.

D.1.2.18 Receivables (trade, not insurance)

Trade receivables represent payments from trade debtors due at the reporting date. These payments are valued at the future cash amount expected to be received.

D Valuation for Solvency Purposes

D.1.3 Asset Valuations – Solvency II and C-IFRS

Under Section 401 of the UK Companies Act 2006, the Company, as a wholly owned subsidiary of a parent company established outside of the European Economic Area, is exempt from producing consolidated financial statements.

For the purposes of this report, the Company has produced financial comparatives on an unaudited C-IFRS basis.

Significant differences in the asset values for material asset classes recorded on the Solvency II balance sheet and on the C-IFRS balance sheet at 31 December 2018 are shown in the following table.

Asset class	Document reference	Solvency II value	2018 £m	
			Unaudited C-IFRS value	Difference
Assets held for index-linked and unit-linked contracts	D.1.3.1	46,212.4	48,979.4	(2,767.0)
Fixed Income Securities	D.1.3.2	24,884.1	23,176.1	1,708.0
Equities	D.1.3.3	1,646.0	59.1	1,586.8
Reinsurance Recoverable Asset	D.1.3.4	8,553.0	9,548.6	(995.6)
Goodwill	D.1.3.5	-	568.5	(568.5)
Other Investments	D.1.3.6	616.5	69.1	547.4
Collective Investments Undertakings	D.1.3.7	595.2	1,131.0	(535.8)
Deposits other than cash equivalents	D.1.3.8	822.0	292.8	529.2
Deferred Acquisition Costs	D.1.3.9	-	350.4	(350.4)
Loans and mortgages	D.1.3.10	2,396.4	2,693.3	(296.9)
Insurance & intermediaries receivable	D.1.3.11	103.3	336.7	(233.4)
Cash and Cash Equivalents	D.1.3.12	357.9	286.2	71.7
Intangible Assets	D.1.3.13	-	68.6	(68.6)
Any other assets, not elsewhere shown	D.1.3.14	235.7	290.4	(54.7)
Property, plant and equipment held for own use	D.1.3.15	141.6	109.0	32.6
Assets without significant valuation differences		6,037.9	6,051.1	(13.2)
Total Assets		92,601.9	94,010.3	(1,408.4)

Table 11: Significant valuation differences in material asset classes 2018

D.1.3.1 Assets held for index-linked and unit-linked contracts

A large part of the CLE business is held in a Unitised-With-Profits (UWP) fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore show these assets in their relevant asset category. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

Within MGMA there is a reclassification of asset balances between Collective Investment Undertakings reported in C-IFRS and Assets held for index-linked and unit linked contracts reported in Solvency II. This is due to the differing presentation methods adopted across the two reporting bases.

D.1.3.2 Fixed Income Securities

Fixed income securities are valued at fair value for Solvency II. For C-IFRS, fixed income securities are valued at market value, which approximates to fair value, with the exception of private placements which are valued at amortised cost and are inclusive of accrued interest.

A large part of the CLE business is held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

Under C-IFRS the assets backing the policies being sold by CLL to Scottish Friendly are required to be classified as 'held for sale' and are therefore all included in the Other Assets line. Under Solvency II this classification does not apply and continue to be shown in their underlying asset category.

D.1.3.3 Equities

A large part of the CLE business is held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore show these assets in their relevant asset category, including Equities. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.1.3.4 Reinsurance Recoverable Asset

The reinsurance recoverable asset is valued using assumptions and methodologies consistent with the underlying liability valuation bases. The two underlying bases are Solvency II and C-IFRS. As a result the values of the reinsurance recoverable asset differ between the two bases.

D.1.3.5 Goodwill

Goodwill represents the excess of purchase consideration over the fair value of net assets of the acquired subsidiaries of the Company.

As per Article 12 of the Delegated Act, goodwill is valued at nil for Solvency II purposes. Under C-IFRS, following initial recognition, goodwill is measured at cost less accumulated impairment losses.

D.1.3.6 Other Investments

MGMA has a beneficial interest over assets held in a bare trust which include ERMs, an Insight Liquidity Fund (ILF) investment and other current assets and liabilities. The value of these assets are reported in 'Other investments' under Solvency II as they represent the sum of a Fixed Trust Cash Flow note and Floating Leg note. Under C-IFRS the underlying trust assets and liabilities are reported on a look through basis and are separated out over the balance sheet, the ERMs specifically, are reported in 'Loans and mortgages'. There is no net valuation difference arising between the two bases in respect of the total value of trust assets.

The ERMs held by MGMA are fair valued using the cashflows within the trust. These cashflows have been valued by calculating a projection of the expected payments to be received on the loans and then discounting those future payments. These projected payments allow for the expected future loan interest payments, loan repayments, expenses and the impacts of the NNEG feature. The NNEG feature means that the loan redemption proceeds will not be greater than the value (at the time of loan redemption) of the property, on which the loan is secured. Stochastic modelling is used to capture the expected cost of this feature, which will depend on the expected rate and volatility of future house price growth.

Under C-IFRS these assets are valued on a look through basis and are classified into their respective asset categories.

Finance leases are valued at fair value for Solvency II and amortised cost for C-IFRS.

D Valuation for Solvency Purposes

D.1.3.7 Collective Investment Undertakings

Under Solvency II, the Collective Investment Undertaking assets backing unit-linked liabilities or Technical Provisions in MGMA are re-analysed from Collective Investment Undertakings to Assets held for index-linked or unit-linked contracts. Under C-IFRS these assets are aggregated and reported under Collective Investment Undertakings. This accounts for the vast majority of the difference (£552m).

A small offsetting difference is due to the CLE business held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore show these assets in their relevant asset category. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.1.3.8 Deposit Other Than Cash Equivalents

A large part of the CLE business is held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore show these assets in their relevant asset category. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.1.3.9 Deferred Acquisition Costs

As per Article 12 of the Delegated Act, deferred acquisition costs are valued at nil for Solvency II purposes. Under C-IFRS, deferred acquisition costs are valued at cost and amortised on a straight-line basis over the policy term, not to exceed 20 years.

D.1.3.10 Loans and Mortgages

Loans and mortgages which mainly comprise commercial mortgages are valued at fair value for Solvency II and amortised cost for C-IFRS.

Fair value is determined through the use of an internal discounted cash flow model that takes into account the term, credit and liquidity of the asset.

MGMA has a beneficial interest over assets held in a bare trust which include ERMs, an ILF investment and other current assets and liabilities. The value of these assets are reported in 'Other investments' under Solvency II as they represent the sum of a Fixed Trust Cash Flow note and Floating Leg note. Under C-IFRS the underlying trust assets and liabilities are reported on a look through basis and are separated out over the balance sheet, the ERMs specifically, are reported in 'Loans and mortgages'. There is no net valuation difference arising between the two bases in respect of the total value of trust assets.

D.1.3.11 Insurance and Intermediaries Receivable

Insurance and intermediaries receivable are policyholder payments due at the reporting date. These payments are valued at the future cash amount expected to be received.

There are differing treatments of premiums due from policyholders which are overdue or relate to policies that have been written but for which the premium is not contractually due. Under Solvency II they are shown under Technical Provisions, under C-IFRS they are shown as Insurance and Intermediaries receivable.

Under C-IFRS the assets backing the policies being sold by CLL to Scottish Friendly are required to be classified as 'held for sale' and are therefore all included in the Other Assets line. Under Solvency II this classification does not apply and continue to be shown in their underlying asset category.

D.1.3.12 Cash and Cash Equivalents

Under C-IFRS the assets backing the policies being sold by CLL to Scottish Friendly are required to be classified as 'held for sale' and are therefore all included in the Other Assets line. Under Solvency II this classification does not apply and continue to be shown in their underlying asset category.

A large part of the CLE business is held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore show these assets in their relevant asset category. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.1.3.13 Intangible Assets

Intangible assets comprise computer systems, software and value of in-force business. Intangible assets are valued at nil for Solvency II purposes.

For C-IFRS, computer software is carried at cost, less amortisation and provision for impairment. Purchased shareholder value of in-force business, which was acquired from other companies, is valued at fair value based on the net present value of the shareholders' interest in the expected cash flows of the in-force business.

D.1.3.14 Any Other Assets, Not Elsewhere Shown

Any other assets, not elsewhere shown are valued at the future cash amount expected to be received.

There are differing treatments of insurance related prepayments and accrued income. Under Solvency II they are shown under Technical Provisions, under C-IFRS they are shown as 'Any other assets, not elsewhere shown'.

D.1.3.15 Property, Plant and Equipment held for own use

Under Solvency II, property for own use is valued at fair value, and plant and equipment is valued at cost less accumulated depreciation and impairments, which is assumed to approximate fair value.

Under C-IFRS, property for own use, plant and equipment are valued at cost less accumulated depreciation and impairments.

D.1.4 Differences between the CLG and subsidiary Solvency II asset valuation bases, methods and assumptions

There are no differences in the bases, methods and main assumptions at a Group level for the valuation for solvency purposes of the Group's assets from those used by any of its subsidiaries.

A description of the bases, methods and main assumptions used to value assets at the subsidiary level can be found in Section D.1 of each of the CLG subsidiary entities SFCR, web addresses of subsidiaries are available in Appendix 1.

D Valuation for Solvency Purposes

D.2 Technical Provisions

Under Solvency II, Technical Provisions are generally calculated as the sum of a best estimate liability plus a risk margin, although for some lines of business the Technical Provisions are calculated as a whole which means that separate calculation of the best estimate and risk margin is not required.

The following table provides a breakdown of CLG's Solvency II Technical Provisions by entity.

Entity	2018 £m	2017 £m
Irish Life Assurance	39,454.4	39,786.3
Canada Life Limited	22,126.3	22,459.8
Canada Life Reinsurance Ireland	4,943.2	5.6
Canada Life Assurance Europe	4,869.7	4,669.4
Canada Life International Assurance (Ireland)	4,796.4	4,438.7
MGM Assurance Life	1,817.9	n/a*
Canada Life Dublin	0.6	5,153.0
Irish Life Health	(4.4)	(15.6)
Total Technical Provisions	78,004.1	76,497.2

Table 12: Group Technical Provisions

* MGM Assurance Life was not part of the Group in 2017.

The Technical Provisions are the sum of the subsidiary Technical Provisions (including risk margin).

A description of the bases, methods and main assumptions used for the valuation can be found in Section D.2 of each of the CLG subsidiary SFCRs; web addresses are available in Appendix 1. The subsidiary SFCRs also contain a description of the level of uncertainty associated with the value of Technical Provisions.

D.2.1 Differences between Solvency II and C-IFRS Technical Provisions valuation bases, methods and assumptions

The following table shows the differences between the Solvency II Technical Provisions and the Technical Provisions on a C-IFRS basis (including insurance contract liabilities, investment contract liabilities and unit-linked liabilities) at year-end 2018.

At 31 December 2018 £m	2018 Solvency II valuation	2018 Risk Margin	2018 Other	2018 Unaudited C-IFRS valuation
Irish Life Assurance	39,454.4	(336.6)	1,561.7	40,679.5
Canada Life Limited	22,126.3	(792.9)	689.5	22,022.8
Canada Life Re Ireland	4,943.2	(208.7)	120.4	4,854.9
Canada Life Assurance Europe	4,869.7	(212.5)	498.2	5,155.5
Canada Life International Assurance (Ireland)	4,796.4	(10.5)	218.6	5,004.5
MGM Assurance Life	1,817.9	(0.9)	181.6	1,998.6
Canada Life Dublin	0.6	(0.1)	0.1	0.6
Irish Life Health	(4.4)	(4.3)	347.8	339.1
Total	78,004.1	(1,566.5)	3,617.8	80,055.4

Table 13: CLG Technical Provisions by entity

The Technical Provisions are valued using assumptions and methodologies consistent with Solvency II and C-IFRS. The major single source of difference is the risk margin which is applicable only to the Solvency II valuation approach and is meant to represent the extra premium that another insurer would require for taking over the insurance portfolio. However, some of the principles behind the risk margin calculation are included in the C-IFRS valuation approach.

The Solvency II Technical Provisions include transitional measures which allow for a deduction from those provisions. The transitional measures reduce to zero over the transitional period of 16 years. Further details of the transitional measures that have been applied can be found in the Annex.

D.2.2 Matching Adjustment

The MA is applied by CLL and MGMA and a full description of the MA and of the portfolio of obligations and assigned assets to which the MA is applied can be found in Section D.2 of the CLL and MGMA SFCRs.

The table below shows the impact of a change to zero of the MA on the financial position of CLG.

At 31 December 2018 £m	Including MA	Excluding MA	Difference
Technical Provisions	78,004	79,442	1,438
Basic Own Funds/ Eligible Own Funds to meet SCR	5,834	4,508	(1,326)
SCR	3,899	4,294	396
Eligible Own Funds to meet MCR	5,258	3,959	(1,299)
MCR	1,227	1,257	31

Table 14: Impact of MA on the financial position of the Group

D.2.3 Volatility Adjustment

The VA is applied by CLL, ILA and CLRel. The table below shows the impact of a change to zero of the VA on the financial position of CLG.

At 31 December 2018 £m	Including VA	Excluding VA	Difference
Technical Provisions	78,004	78,533	529
Own Funds	5,834	5,554	(280)
SCR	3,899	4,047	148
Eligible Own Funds to meet MCR	5,258	4,983	(274)
MCR	1,227	1,234	7

Table 15: Impact of VA on the financial position of the Group

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D.2.4 Transitional risk-free interest rate term structure

The transitional risk-free interest rate term structure is applied by CLRel. The table below shows the impact of not applying the transitional measure on the financial position of CLG.

At 31 December 2018 £m	With transitional	Without transitional	Difference
Technical Provisions	78,004	78,258	254
Own Funds	5,834	5,677	(157)
SCR	3,899	3,928	29
Eligible Own Funds to meet MCR	5,258	5,096	(162)
MCR	1,227	1,230	3

Table 16: Impact of the transitional risk-free interest rate term structure on the financial position of the Group

D.2.5 Transitional Measure on Technical Provisions – Unaudited

The TMTP is applied by CLL and MGMA. The following table shows the impact of not applying the transitional deduction on the financial position of CLG.

At 31 December 2018 £m	With transitional deduction	Without transitional deduction	Difference
Technical Provisions	78,004	79,789	1,785
Own Funds	5,834	4,178	(1,656)
SCR	3,899	4,021	122
Eligible Own Funds to meet MCR	5,258	3,608	(1,649)
MCR	1,227	1,247	21

Table 17: Impact of the transitional measure on Technical Provisions on the financial position of the Group

D.2.6 Recoverables from Reinsurance Contracts and Special Purpose Vehicles

Details of recoverables from reinsurance contracts and special purpose vehicles can be found in Section D.2 of the CLG subsidiary SFCRs. The only change from these reports is that at Group level Technical Provisions are net of any intra-group transactions. There is an intra-group reinsurance treaty between CLL and CLRel, with the Best Estimate Liability of the reinsurance accepted by CLRel of £54.7m at 31 December 2018.

D.3 Other Liabilities

D.3.1 Solvency II Value of other Liabilities

For Solvency II reporting purposes, the Company is required to present a Group balance sheet in which the liabilities of the Company and its insurance and reinsurance subsidiaries are presented as those of a single economic entity.

The liabilities, as shown in the Group balance sheet are therefore a combination of the Company's direct and indirect liabilities.

The Company uses the same bases, methods and main assumptions to measure Other Liabilities in the Group consolidated balance sheet as that used by the subsidiaries.

The value for each material class of other liabilities on the Solvency II consolidated balance sheet at 31 December 2018 is shown below.

Solvency II liability class	Document Reference	2018 £m	2017 £m
Deposits from reinsurers	D.3.2.1	6,953.2	7,061.6
Subordinated liabilities	D.3.2.2	735.6	941.9
Any other liabilities, not shown elsewhere	D.3.2.3	522.6	369.9
Insurance & intermediaries payables	D.3.2.4	434.5	425.2
Deferred tax liabilities	D.3.2.5	295.1	355.6
Payables (trade, not insurance)	D.3.2.6	174.4	201.4
Reinsurance payables	D.3.2.7	139.1	229.6
Derivatives	D.3.2.8	112.0	100.0
Pension benefit obligations	D.3.2.9	72.1	97.2
Debts owed to credit institutions	D.3.2.10	22.2	6.3
Provisions other than technical provisions	D.3.2.11	21.1	25.1
Contingent liabilities	D.3.2.12	6.3	21.3
Other technical provisions		0	0
Total Other Liabilities		9,488.2	9,835.2

Table 18: Solvency II other liabilities valuation

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D.3.2 Solvency II valuation bases, methods and assumptions by material liability class

D.3.2.1 Deposits from reinsurers

Subsidiaries have entered into a number of reinsurance contracts in which reinsurance companies have deposited assets such as property, fixed interest securities and cash, with them. The assets are held as collateral against the amount due from the reinsurance companies for reinsurance recoverable. The deposited assets are valued at fair value as per the underlying assets described in Section D.1.

D.3.2.2 Subordinated Liabilities

Subordinated liabilities are borrowings from companies within the Lifeco group and are detailed further in Section E.1.3. In the event of liquidation, these debts would only be repaid after other creditors had been paid. As a deep, liquid and transparent financial market is not available to obtain a valuation for these liabilities, fair values are calculated by using a market consistent valuation model. The subordinated liability discounted cash flow valuation models adopt the following methodology:

- timings for payments of interest and principal (cash flows) are in accordance with each liability's underlying contractual obligation;
- interest payments calculated at an interest rate directly related to LIBOR use the LIBOR forward curve as published by the Bank of England;
- where a contract does not state a fixed maturity date, a very long maturity date is assumed. For the purposes of the model this is the same as the contract being in perpetuity;
- subordinated liability valuation equals the sum of all discounted cash flows;
- the cash flow discount rate is equal to the LIBOR spot curve (approximately equal to the risk free rate) as published by the Bank of England plus a spread that is proportional to the movement in the subordinated liability insurance index; and
- the spread is equal to the subordinated liability's spread at inception or revaluation plus the percentage movement in the subordinated liability insurance index.

D.3.2.3 Any other liabilities, not shown elsewhere

Other material liabilities include tenant deposits, intercompany balances, other taxation liabilities, balances with brokers and accruals. They are not discounted and valued at the amount expected to be paid in the future.

D.3.2.4 Insurance and intermediaries payables

These are the balance of outstanding claims payable to policyholders, commissions payable and policyholder premiums received in advance.

Subsidiaries value insurance and intermediaries payables on an accruals basis.

D.3.2.5 Deferred Tax Liabilities

All deferred tax liabilities in the Group consolidated balance sheet are from its subsidiaries.

Full details of the balances held by the regulated undertakings can be found in their respective SFCRs, web addresses are available in Appendix 1.

Across the Group, deferred tax liabilities are valued in accordance with Article 15 of the Delegated Regulations, being the difference between the values recognised in accordance with the Solvency II Directive and the values recognised for tax purposes at a tax rate that will be applicable to those values.

D.3.2.6 Payables (Trade, not Insurance)

Trade payables are payments billed by suppliers for goods and services supplied or tax payable. These payments are valued at the future cash amount expected to be paid.

D.3.2.7 Reinsurance Payables

These are payments due to reinsurers at the reporting date. Payments are valued at the future cash amount the subsidiaries expect to pay.

D.3.2.8 Derivatives

See Section D.1.2.17 for recognition and valuation basis applied to derivative contracts.

D.3.2.9 Pension Benefit Obligations

Pension benefit obligations represent the total net deficit of the defined benefit pension schemes across the Group.

In terms of scheme membership and value of scheme net assets, three of these are material in size. The remaining ones are immaterial.

All schemes are closed to new members and also to future accruals. The schemes are funded by contributions into separately administered trust funds. The benefits paid from the defined benefit schemes are based on percentages of the employees' final salary for each year of pensionable service.

In the UK, the pension scheme is subject to statutory increases although discretionary increases are also possible. In Ireland, increases are discretionary.

All major schemes within the Group have updated their investment mandates.

The net obligation of the Company's defined benefit schemes represent the present value of the obligation to employees in respect of past service, less the fair value of the plan assets. External scheme actuaries calculate the present value of the obligations quarterly. The present value of the obligation is determined by discounting the estimated future cash flows. The discount rate is based on the market yield of high quality corporate bonds that have maturity dates approximating to the terms of the pension liability. The estimated future cash flows are based on the accrued past service benefits and future inflation, salary inflation and financial and demographic assumptions.

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The following table shows the nature and composition of the defined benefit pension scheme assets.

Asset Type	2018 £m Fair Value	2018 %	2017 £m Fair Value	2017 %
Equities and Property	723.1	49%	893.1	59%
Corporate Bonds	658.4	44%	518.4	34%
Gilts and Cash	111.0	7%	103.4	7%
Fair value of scheme assets	1,492.6	100%	1,514.9	100%

Table 19: Defined benefit pension assets

The nature of the scheme liabilities are shown in the following table.

Benefit Obligation	2018 £m	2017 £m
Benefit obligation at 1 January	(1,612.1)	(1,553.0)
Current service cost	(13.7)	(28.2)
Past service cost	-	-
Net interest cost	(37.1)	(34.1)
Actuarial gain/(loss)	75.1	(9.5)
Contributions by plan participants	(2.0)	(3.9)
Curtailment gain	0.5	1.8
Benefits paid	36.3	33.3
Foreign exchange movement	(11.8)	(18.3)
Benefit obligation at 31 December	(1,564.8)	(1,612.1)

Table 20: Scheme liabilities

The following table shows what the Pension benefit obligation line in the consolidated balance sheet comprises.

Pension Benefit Obligation	2018 £m	2017 £m
Assets	1,493	1,515
Liabilities	1,565	(1,612)
Pension Benefit Obligations	(72)	(97)

Table 21: Pension benefit obligations

D.3.2.10 Debts owed to Credit Institutions

Debts owed to credit institutions include payments pending bank clearing and collateral received from a credit institution in relation to an investment made. Both are valued at face value.

D.3.2.11 Provisions other than Technical Provisions

This includes onerous contract provisions, severance provisions, customer complaints provisions and legal provisions.

The Group derives the value of each provision by management reviewing and evaluating the expected outflow required to settle the liability to which the provision applies.

D.3.2.12 Contingent Liabilities

Contingent liabilities must be recognised on the balance sheet under Solvency II. The value of contingent liabilities is equal to the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure. Details of the contingent liabilities can be found in the subsidiaries' SFCRs.

D.3.3 Other Liability Valuations – Solvency II and C-IFRS

Under Section 401 of the Companies Act 2006, the Company, as a wholly owned subsidiary of a parent company established outside of the European Economic Area, is exempt from producing consolidated financial statements.

Significant differences in other liability values for material liability classes recorded on the Solvency II balance sheet and on the C-IFRS balance sheet at 31 December 2018 are shown in the table below.

Liability class £m	Document Reference	2018 Solvency II value	2018 Unaudited C-IFRS value	2018 Difference
Reinsurance payables	D.3.3.1	139.1	309.8	(170.7)
Deferred tax liabilities	D.3.3.2	295.1	138.8	156.2
Provisions other than technical provisions	D.3.3.3	21.1	124.5	(103.4)
Other Technical Provisions	D.3.3.4	0.0	101.1	(101.1)
Subordinated Liabilities in BOF	D.3.3.5	735.6	655.4	80.2
Liabilities without significant valuation differences	n/a	8,297.3	8,285.6	11.6
Total other Liabilities		9,488.2	9,615.4	(127.1)

Table 22: Significant valuation differences in material liability classes

D.3.3.1 Reinsurance payables

The difference in value between the C-IFRS and Solvency II values is due to valuation differences in Technical Provisions which have a corresponding impact on reinsurance payable balances.

D.3.3.2 Deferred Tax Liabilities

The difference in value of the deferred tax liability between the Solvency II and C-IFRS is due to the tax impact of differences in timings of outflows from asset and liability valuations.

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D.3.3.3 Provisions other than Technical Provisions

The valuation difference is due to the difference in treatment of the Deferred Income Reserve. Under C-IFRS, revenue is recognised with reference to the stage of completion of the transaction. For certain long term business this means revenue is recognised in the accounting periods in which the services are provided. Revenue that is to be recognised in a subsequent period is deferred and recognised as a liability (in the Deferred Income Reserve) until the service is provided. When the service is provided this reserved amount is converted to revenue.

Under Solvency II, the income is recognised at receipt leaving no Deferred Income Reserve.

D.3.3.4 Other Technical Provisions

The valuation difference is due to the difference in treatment of the Deferred Income Reserve. Under C-IFRS, revenue is recognised with reference to the stage of completion of the transaction. For certain long term business this means revenue is recognised in the accounting periods in which the services are provided. Revenue that is to be recognised in a subsequent period is deferred and recognised as a liability (in the Deferred Income Reserve) until the service is provided. When the service is provided this reserved amount is converted to revenue.

Under Solvency II, the income is recognised at receipt leaving no Deferred Income Reserve.

D.3.3.5 Subordinated Liabilities

The difference in value of subordinated liabilities is due to the distinction between amortised cost and fair value methodologies:

- C-IFRS values subordinated liabilities at amortised cost using the effective interest method. This valuation includes the liability's initial measurement, less repayment of principal, plus or minus the cumulative amortisation of the difference in its initial and maturity amounts; and
- Under Solvency II, subordinated liabilities are measured at fair value using a valuation model as described in Section D.3.2.2.

D.3.4 Differences between CLG and Subsidiary valuations

For Solvency II purposes, there are no differences in the bases, methods and main assumptions used to value the Group's other liabilities at a CLG level to those used by its subsidiaries.

D.4 Alternative Methods for Valuation

CLG and MGMA apply alternative methods of valuation to the ERM assets held by MGMA. These assets are included in Other Investments in CLGs consolidated balance sheet (QRT S.02.01).

Equity release mortgage assets

All of MGMA's equity release assets are held in a bare trust as at 31 December 2018. The trust has issued a senior note held by the Matching Adjustment Portfolio of MGMA and a junior note held in MGMA outside of the Matching Adjustment Portfolio. Neither the notes issued by the trust or the ERM assets are traded and so do not have an observable market value. As a result it is necessary to use alternative methods to derive the value for these assets.

The ERM assets held by MGMA have been valued by calculating a projection of the expected payments to be received on the loans and then discounting those future payments. These projected payments allow for the expected future loan interest payments, loan repayments, expenses and the impacts of the NNEG feature. The NNEG feature means that the loan redemption proceeds will not be greater than the value (at the time of loan redemption) of the property, on which the loan is secured. Stochastic modelling is used to capture the expected cost of this feature, which will depend on the expected rate and volatility of future house price growth.

The discount rate used reflects the risk free interest rate term structure plus a spread above the risk free rate. The spread includes a market related element and a further element to include allowance for the high illiquidity arising from a non-trading asset.

Senior Trust note

The senior note issued by the Trust has a schedule of future fixed payments. An assessment of the ability of the Trust to meet these payments when due has been made, which included stochastic modelling, and based on this assessment a credit rating has been assigned to the senior note. The senior note has been valued by discounting the schedule of future payments due.

The discount rate used reflects the then current risk free structure as well as the assessed credit rating and includes some allowance for the illiquidity arising from a non-traded asset.

Junior Trust note

The junior note has been valued as the residual value of the assets in the Trust (after including allowance for the expected costs of operating the Trust). As a result, the total value of the two notes held by MGMA, issued by the Trust, is equal to the value of the assets held in the Trust (save for a reduction to allow for the costs of running the Trust).

Valuation uncertainty

The valuation of the equity release assets is derived allowing for a number of assumptions regarding future experience. A robust assumption setting process is followed in order to ensure that uncertainty is well understood and experience relative to these assumptions is regularly monitored.

D.5 Any other Information

There is no other material information regarding the valuation of liabilities for solvency purposes.

E Capital Management

E.1 Own Funds

Under Solvency II, insurers are required to hold enough capital to cover the risk of their assets not being sufficient to cover their liabilities. The main capital requirement is the SCR. There is also a lower MCR. Own Funds are the excess of assets over liabilities which are available to meet capital requirements and are divided into basic Own Funds, held on the balance sheet and ancillary Own Funds which can be letters of credit or guarantees, but they require supervisory approval. Currently, the Company holds no ancillary Own Fund items.

E.1.1 Capital Management Policies and Processes

The Company's Group Capital Management Policy is supported by its Capital Management Plan. The Capital Management Plan is produced annually and forecasts the solvency ratio and dividend payments over a three year time horizon using the business strategy set out in the annual business plan together with detailed capital projections, sensitivity stresses and scenario tests on capital requirements from the ORSA. The Group Capital Management Plan goes through a review and approval process and is ultimately approved and signed off by the Board.

CLG aims to manage its Own Funds so that its solvency position stays within the target range specified in the Capital Management Plan. The range has sufficient coverage above the SCR to ensure the Company is able to meet all of its ongoing financial liabilities.

E.1.2 Structure of Own Funds

Own Funds are divided into three tiers based on their permanence and ability to absorb losses, with Tier 1 being of the highest quality.

At 31 December 2018, CLG's Own Funds consisted of:

Description	2018 £m	2017 £m
Tier 1 - unrestricted		
Issued share capital	404.2	404.2
Share premium account	1,605.2	1,605.2
Shareholder contributions	597.7	597.7
Reconciliation reserve	2,502.1	2,473.0
Surplus arising on ring fenced funds	0.2	0.2
Subordinated liabilities (Tier 1 restricted)	0	0
Tier 2		
Subordinated liabilities	735.6	941.9
Own funds restriction for other financial undertakings	(10.7)	(12.0)
Other restrictions	0	(7.2)
Total	5,834.3	6,003.0

Table 23: Structure of Own Funds

The Group's basic Own Funds agree to the Solvency II valuation of the excess assets over liabilities plus subordinated liabilities, taken from the Company's Solvency II balance sheet. CLG has no ancillary Own Funds.

CLG uses Method 1, as referred to in Articles 230 and 233 of Directive 2009/138/EC, to consolidate its subsidiaries' balances. Under Method 1, those subsidiaries in which CLG holds a controlling interest and which are classed as insurance holding companies, Insurance or Reinsurance undertakings, or ancillary service units (service companies) are fully consolidated on a line-by-line basis. This includes the MGMA group of companies. All other company types (including property management companies and fund management companies) are treated as participations and are included on a Solvency II net asset basis in the balance sheet. Companies in which CLG owns a minority interest, or that are dormant, are not included in the consolidation.

The reconciliation reserve includes the excess of net assets of the consolidated Company, on a Solvency II basis, over and above the share capital, premium and member contributions. It is then adjusted for surplus net assets arising in ring fenced funds (£0.2m).

Intra-group transactions, in so far as they relate to transactions between companies within CLG that are fully consolidated under Method 1, are eliminated as part of the consolidation process. Transactions with companies that lie outside the Group (even if they are part of the greater GWL group) and transactions with companies that are consolidated under the adjusted equity method, and included as participations, are not eliminated as part of the Group consolidation.

The Own Funds restrictions for other financial undertakings represents the requirement to replace Own Funds as calculated under Solvency II with the Own Funds as calculated under the undertakings' local sectoral rules. These funds would all count as Tier 1 funds under the local capital basis, where local tiering is applied. This is for the eleven other non-insurance financial undertakings in the Group.

31 December 2018			2018 £m	
Name of undertaking	Type of undertaking	Own Funds on SII basis	Own Funds on own sectoral basis	SCR on own sectoral basis
Canada Life Asset Management Limited	Investment firm	13.1	12.3	2.8
Canada Life European Real Estate Limited	Investment firm	0.5	0.5	0
Canada Life Fund Managers (UK) Limited	Non regulated, carrying out financial activities	1.8	1.8	0
Irish Life Investment Managers Limited	Investment firm	20.0	16.2	9.7
Setanta Asset Management Limited	Investment firm	7.0	5.2	2.2
Summit Asset Managers Limited	Investment firm	0.6	0.5	0.2
Cornmarket Group Financial Services	Undertaking carrying out financial activities	31.6	31.6	9
Glohealth Financial Services	Undertaking carrying out financial activities	4.7	4.7	0
Irish Progressive Services International Limited	Investment firm	12.5	9.2	7.5
Invesco Limited	Undertaking carrying out financial activities	1.8	1.8	0
Stonehaven UK Ltd	Undertaking carrying out financial activities	3.4	2.5	2.3
Total		97.0	86.3	33.7

Table 24: Own Funds - unaudited

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The previous table compares the Own Funds for the eleven non-insurance financial undertaking companies in the Group as calculated on a Solvency II with the basis that is used to calculate their Own Funds using the methods laid out for them by their own local regulator.

E.1.2.1 Own Funds to meet Solvency Capital Requirement

31 December Description	2018 £m	2017 £m
Tier 1 – unrestricted	5,109.4	5,073.1
Tier 1 - restricted	0	–
Tier 2	735.6	941.9
Restrictions	(10.7)	(12.0)
Eligible Own Funds to meet SCR	5,834.3	6,003.0
Solvency Capital Requirement	3,898.7	4,138.7
Solvency Capital Ratio	149.6%	145.0%

Table 25: Own Funds to meet solvency capital requirements

E.1.2.2 Own Funds to meet Minimum Capital Requirement

31 December Description	2018 £m	2017 £m
Tier 1 – unrestricted	5,023.2	4,999.9
Tier 1 - restricted	0	–
Tier 2	245.3	248.1
Restrictions	(10.7)	(12.0)
Eligible Own Funds to meet MCR	5,257.8	5,236.0
Minimum Capital Requirement	1,226.8	1,240.5
Minimum Capital Ratio	428.6%	422.1%

Table 26: Own Funds to meet minimum capital requirements

E.1.2.3 Restrictions on Own Funds to meet Capital Requirements

There are regulatory restrictions on the proportion of capital requirements that can be met by Tier 2 and 3 basic Own Funds in determining the eligible Own Funds to meet the SCR and MCR capital requirements. The impact of these restrictions is shown in the table below.

Solvency II rules on Own Fund tiering	% Coverage 2018	% Coverage 2017	Comment
Tier 1 Own Funds must be at least 50% of SCR	131%	123%	No restrictions
Tier 3 Own Funds must be less than 15% of SCR	0%	0%	No restrictions
Tier 2+3 Own Funds must not exceed 50% of SCR	19%	23%	No restrictions
Tier 1 Own Funds must be at least 80% of MCR	410%	403%	No restrictions
Tier 2 Own Funds must be less than 20% of MCR	20%	20%	Tier 2 Own Funds in excess of 20% of MCR are ineligible. However, CLG has sufficient Tier 1 Own Funds to cover the MCR.

Table 27: Own Fund restrictions

E.1.3 Subordinated Liabilities

The subordinated liabilities held within the Group are shown in the following table.

31 December 2018			£m			
Description	Company	Nominal Amount	Fair value	Coupon rate	Maturity date	Future call dates
Undated 2013 subordinated loan	CLG	150.9	196.2	5.50%	None	8th July 2023
Dated 2013 subordinated loan	CLG	99.2	117.8	5.25%	Jul 2043	8th July 2023
Dated 2017 subordinated loan	CLG	75.0	58.6	LIBOR +2.9%	Dec 2047	None
Dated 2005 subordinated loan	CLL	90.0	73.0	LIBOR +1.05%	Jun 2035	None
Dated 2006 subordinated loan	CLL	50.0	60.4	5.90%	May 2036	None
Undated 2006 subordinated loan	CLL	80.0	107.3	5.90%	None	None
Dated 2016 subordinated loan	CLL	70.0	75.5	LIBOR +4.2%	Sep 2032	None
Undated 2016 subordinated loan	CLL	40.0	46.8	LIBOR +4.2%	None	None
Total		655.1	735.6			

Table 28: Subordinated liabilities

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E.1.4 Material Differences

Below we set out a quantitative and qualitative explanation of any material differences between equity as shown in CLG's unaudited C-IFRS balance sheet and the excess of assets over liabilities as calculated for Solvency purposes. The following table highlights the material differences between C-IFRS and Solvency II net assets.

Description	2018 £m
Canadian IFRS net assets (unaudited)	4,339.5
Reinsurance Recoverable Asset	(995.6)
Goodwill and Intangible assets not recognised under Solvency II	(637.1)
Technical provision valuation adjustment	2,051.3
Deferred Acquisition Costs not recognised in Solvency II	(350.4)
Subordinated liabilities	(80.2)
Deferred tax valuation	(154.4)
Provisions other than technical provisions	103.4
Corporate Bonds	859
Reinsurance payables	170.7
Commercial mortgages	(298.8)
Other	102.2
SII Excess of assets over liabilities	5,109.5

Table 29: Material differences between C-IFRS and Solvency II

The rationale for material differences are set out below:

E.1.4.1 Reinsurance Recoverable Asset

Differences arise because the methodologies and assumptions used to calculate the Solvency II Technical Provisions are different to those used to calculate C-IFRS actuarial reserves and consequently the difference in the amount expected to be recovered from Reinsurers.

E.1.4.2 Goodwill and Intangible Assets

Goodwill and intangible assets are not allowable as assets under Solvency II valuation rules.

E.1.4.3 Technical Provisions

Differences arise because the methodologies and assumptions used to calculate the Solvency II Technical Provisions are different to those used to calculate C-IFRS actuarial reserves.

E.1.4.4 Deferred Acquisition Costs

Deferred acquisition costs is not allowable as an asset under Solvency II.

E.1.4.5 Subordinated Liabilities

Subordinated debt is calculated using a fair valuation model under Solvency II. Under C-IFRS subordinated debt is calculated using an amortised cost model.

E.1.4.6 Deferred Tax Valuation

Differences arise because the methodologies and assumptions used to calculate the Solvency II Technical Provisions are different to those used to calculate C-IFRS actuarial reserves and consequently the difference in the deferred tax balance will arise.

E.1.4.7 Provisions other than Technical Provisions

This section includes the deferred income reserve which is ineligible under Solvency II valuation reserves.

E.1.4.8 Corporate Bonds

This section includes private placements which are valued at fair value under Solvency II but under C-IFRS are valued at amortised cost and are inclusive of accrued interest.

E.1.4.9 Reinsurance payables

Differences arise because the methodologies and assumptions used to calculate the Solvency II Technical Provisions are different to those used to calculate C-IFRS actuarial reserves. This has a corresponding impact on reinsurance payable balances.

E.1.4.10 Commercial Mortgages

Under C-IFRS commercial mortgages are valued using the amortised cost method. Under Solvency II, commercial mortgages are valued at fair value.

E.1.5 Distributions made to Shareholders

During 2018, £288.6m of dividends was paid to CLIH, the parent company (£288.6m in 2017).

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Calculating the Solvency Capital Requirement

The SCR, at 31 December 2018 is shown below.

Description	2018 £m	2017 £m
Market Risk	2,653	2,984
Life Underwriting Risk	1,693	1,970
Health Underwriting Risk	401	407
Counterparty Risk	72	88
Operational Risk	247	203
Non-Life	2	1
Diversification	(1,166)	(1,309)
Gross SCR	3,903	4,343
Loss absorbing capacity of deferred tax (restricted)	(329)	(391)
Loss absorbing capacity of TPs	(22)	(30)
Adjustment due to Ring Fenced Funds	152	189
Capital Requirement for non-insurance entities (consolidated using the adjusted equity method)	34	28
Entities included via the Deduction and Aggregation methodology (MGMA)	162	0
Group SCR	3,899	4,139
Own Funds	5,834	6,003
Solvency Ratio	150%	145%
MCR	1,227	1,240

Table 30: Solvency Capital Requirement

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CLG uses Method 1 to consolidate its subsidiaries' SCR with the exception of MGMA which is consolidated under Method 2 as agreed with the PRA. This is because MGMA calculates its SCR using a PIM whereas the rest of CLG uses the Standard Formula model as at 31 December 2018.

CLL use the simplified approach for group life-catastrophe risk. ILA and CLRel use simplifications in the counterparty default risk module. No additional simplified SCR calculations are applied at CLG level.

No undertaking-specific parameters have been used in the calculation of the standard formula.

E.2.2 Solvency Capital Requirement by Entity

The capital requirement, at 31 December 2018, split by entity is shown in the following table.

Entity	2018 £m	2017 £m
SCR based on consolidated data for all CLG insurance entities, holding and service companies		
<i>Insurance entities</i>		
CLL	2,608	2,609
ILA	866	919
Elimination of CLL's SCR in respect of its participation in ILG ¹	(538)	(506)
CLE	324	283
CLRel	449	2
ILH	47	42
CLD	4	735
CLIAI	21	21
<i>Pension Schemes</i>		
CLIH Pension Scheme	26	39
UK Pension Scheme	53	93
ILA Pension Scheme	46	137
Proportional share of the relevant sectoral capital requirements for credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies and institutions for occupational retirement provision		
Non insurance entities	34	28
Proportional share of the SCR for undertakings consolidated on the basis of the adjusted equity method		
Allianz	162	-
Total CLG Pre Consolidation	4,102	4,402
Total CLG Post Consolidation	3,899	4,139

Table 31: Capital position by entity

¹ Elimination of capital requirements held in CLL in respect of their strategic participation in Irish Life. At CLG level ILG is treated as a subsidiary and we look through to its underlying assets and liabilities and fully consolidate. We therefore need to deduct the SCR held by CLL in respect of the participation to avoid any double counting of ILG in the consolidation.

The observed decrease in SCR over 2018 is due primarily to a reduction in CLD's SCR over the year (for the business that was subsequently transferred to CLRel) as a result of the novation of a US protection business reinsurance treaty. This is partly offset by the increase in SCR resulting from the purchase of MGMA Life.

E.2.3 Group Diversification Effect

The following table shows the material sources of group diversification effects, at 31 December 2018.

At 31 December 2018 £m	Sum of risk sub-modules (undiversified)	Diversified risk module	Diversification benefit within risk module
Market	3,225	2,694	531
Life	2,735	1,757	978
Health	472	401	71
Non-Life	3	2	1
Counterparty Default		72	
Operational		247	
Diversification benefit (across risk modules)		(1,140)	
Loss absorbing capacity of deferred tax		(3)	
Capital Requirement for non-insurance entities		34	
MGMA		162	
SCR		3,899	

Table 32: Group diversification effect

There are material diversification benefits both within each risk module, and across the combined CLG SCR compared to the sum of the solo SCRs, due to the diversity of business and risks across CLG.

E.2.4 Calculation of the Minimum Capital Requirement

The following table shows the inputs to the MCR calculation at 31 December 2018.

MCR Inputs	2018 £m	2017 £m
Linear MCR	1,227	1,240
SCR	3,899	4,139
MCR cap	1,754	1,862
MCR floor	975	1,035
Combined MCR	1,227	1,240
Absolute floor of MCR	3	3
MCR	1,227	1,240

Table 33: MCR calculation

The MCR has reduced over the year primarily due to reductions in the levels of capital risk over the year, driven by the novation of the US protection business reinsurance treaty.

E Capital Management

E.3 Use of the Duration-based Equity Risk Sub-module

CLG does not use the duration based equity risk sub-module for the calculation of its SCR.

E.4 Differences between the standard formula and any internal model used

Following the purchase of MGMA Holdings in January 2018, its life subsidiary (MGMA) uses a PIM in the calculation of its SCR.

MGMA has used a PIM to determine the amount of capital required under the spread risk sub-module of the market risk module. This covers the risk of loss to Own Funds arising from corporate bond migrations, defaults and spread movements. It also covers the risk of loss to Own Funds arising from the MGMA portfolio of restructured ERMs. As for the Standard Formula the selected stressed loss to Own Funds is assessed at the level of a 99.5th percentile worst loss over a one year time horizon.

For the corporate bonds the PIM determines, from an analysis of historic experience, distributions of bond downgrades, defaults and spread-widening. Using these distributions many potential future scenarios are modelled and the resulting losses (allowing for both changes to asset and liability values) are determined. From this the 99.5th percentile level of loss to Own Funds is determined.

For the ERMs the PIM considers the key risk drivers impacting the amount and timing of the future cash flows. These include those related to future house price changes and those related to the timing of the loan redemptions. For each key risk driver a distribution has been derived. The PIM uses these various distributions to stochastically project the future proceeds from the mortgages. Those projections are then used to assess a credit rating for the restructured ERM trust Senior Trust note. Additionally the distributions are used to assess the appropriate 99.5th percentile level of stress to the future ERM cash flows, the value of the ERMs and the rating of the Senior Trust note.

The PIM only relates to the spread risk sub-module. For other risks the Standard Formula is used. The PIM is integrated with the Standard Formula risk sub-modules and modules using the standard formula aggregation process.

E.5 Non-compliance: Minimum Capital Requirement and Solvency Capital Requirement

We are required to report on any periods of non-compliance with the MCR and significant non-compliance with the SCR during the reporting period. There have been no periods of non-compliance with the MCR or significant non-compliance with the SCR during the 2018 reporting period.

E.6 Any other Information

There is no further material information to report in relation to capital management.

Directors' Responsibility Statement

The Canada Life Group (U.K.) Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report


Financial period ended 31st December 2018

The directors of the Company are satisfied that, to the best of their knowledge:

1. the SFCR was been prepared in all material respects in accordance with the PRA rules and Solvency II regulations, as applicable to the Company;
2. throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as they apply to the Company; and
3. it is reasonable to believe that, at the date of publication of the SFCR, the Company has continued to comply with the PRA rules and Solvency II regulations; and the Company intends to so comply in the future.

Approved by the Board of Directors

and signed on behalf of the Board

A handwritten signature in black ink, consisting of a large, stylized loop followed by a smaller, more complex flourish.

Director

Report of the External Independent Auditor

Report of the external independent auditor to the Directors of The Canada Life Group (U.K.) Limited ('the Company')

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report ('SFCR')

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group SFCR of the Company as at 31 December 2018, ('the Narrative Disclosures subject to audit'); and
- Group templates S.02.01.02, S.22.01.22, S.23.01.22, S.25.01.22 and S.32.01.22 ('the Group Templates subject to audit').

The Narrative Disclosures subject to audit and the Group Templates subject to audit are collectively referred to as the 'relevant elements of the Group SFCR'.

We are not required to audit, nor have we audited the information detailed in the Appendix to this report contained within the relevant elements of the Group SFCR set out above which are, or derive from, the Solvency Capital Requirement for MGM Advantage Life Limited.

In addition, we are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group SFCR;
- Group templates S.05.01.02 and S.05.02.01;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measures on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group SFCR ('the Responsibility Statement');
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations ('the sectoral information').

To the extent the information subject to audit in the relevant elements of the Group SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group SFCR of the Company as at 31 December 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Group SFCR in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report of the External Independent Auditor

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Group SFCR, which describe the basis of accounting. The Group SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in the preparation of the Group SFCR is not appropriate; or
- the Directors have not disclosed in the Group SFCR any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Group SFCR is authorised for issue.

We have nothing to report in relation to these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group SFCR does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group SFCR, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group SFCR, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group SFCR or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in relation to these matters.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group SFCR are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group SFCR.

Report of the External Independent Auditor

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at <https://www.frc.org.uk/auditorsresponsibilities>. The same responsibilities apply to the audit of the Group SFCR.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of The Canada Life Group (U.K.) Limited statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in relation to this matter.

Use of our Report

This report is made solely to the Directors of The Canada Life Group (U.K.) Limited in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms and as set out above. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Group SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.



Andrew Holland FCA (Senior Statutory Accountant)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 May 2019

Report of the External Independent Auditor

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Group standard formula including entity using a partial internal model

MGM Advantage Life Limited ("MGMA"), a subsidiary of The Canada Life Group (U.K.) Limited ("The Company") has authority to calculate its solo Solvency Capital Requirement using a partial internal model ("the Model") approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company's application or approval order.

The relevant elements of the Group SFCR that are not subject to audit which are, or derive from, the Solvency Capital Requirement for MGM Advantage Life Limited.

- The following elements of Group template S.02.01.02:
 - Row R0720: Technical provisions – Index-linked and unit-linked – risk margin (£936k relating to MGM Advantage Life Limited of the total of £360,702k)
- The following elements of Group template S.22.01.22
 - Column C0030 – Impact of transitional measure on technical provisions
 - Row R0010, C0010 – Technical provisions (£936k relating to MGM Advantage Life Limited of the total of £79,004,117k)
 - Row R0090, Column C0010 – Solvency Capital Requirement (£161,962k relating to MGM Advantage Life Limited of the total of £3,898,675k)
 - Row R0090, Column C0090 – Solvency Capital Requirement, Without matching adjustment and without all the others (£118,158k relating to MGM Advantage Life Limited of the total of £281,256k)
- The following elements of Group template S.23.01.22
 - Row R0680: Group SCR (£161,962k relating to MGM Advantage Life Limited of the total of £3,898,675k)
- The following elements of Group template S.25.01.22
 - R0560 – SCR for undertakings included via D&A (£161,962k)
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Appendix 1

Web addresses for CLG insurance and reinsurance subsidiaries

Canada Life Assurance Europe plc (CLE)	www.canadalife.de
Canada Life International Assurance (Ireland) dac (CLIAI):	www.canadalife.co.uk/international
London Life and General Reinsurance (LLGR) and Canada Life Re Ireland (CLRel)	www.canadalifere.com
Canada Life Limited (CLL):	www.canadalife.co.uk
Irish Life Assurance plc (ILA):	www.irishlife.ie
Irish Life Health dac (ILH):	www.irishlifehealth.ie
MGM Advantage Life Limited (MGMA)	www.canadalife.co.uk

Annex

The Canada Life Group (U.K.) Limited

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

Annex

General information

Participating undertaking name	The Canada Life Group (U.K.) Limited
Group identification code	213800EKLMOKEP7XL89
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	A combination of method 1 and method 2 is used
Matching adjustment	Use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	Use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	Use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.05.02.01 - Premiums, claims and expenses by country
- S.22.01.22 - Impact of long term guarantees measures and transitionals
- S.23.01.22 - Own Funds
- S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
- S.32.01.22 - Undertakings in the scope of the group

Annex

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	141,556
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	30,374,150
R0080	<i>Property (other than for own use)</i>	1,647,711
R0090	<i>Holdings in related undertakings, including participations</i>	120,700
R0100	<i>Equities</i>	1,645,957
R0110	<i>Equities - listed</i>	1,645,665
R0120	<i>Equities - unlisted</i>	292
R0130	<i>Bonds</i>	24,884,068
R0140	<i>Government Bonds</i>	10,370,422
R0150	<i>Corporate Bonds</i>	13,251,966
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	1,261,680
R0180	<i>Collective Investments Undertakings</i>	595,218
R0190	<i>Derivatives</i>	41,977
R0200	<i>Deposits other than cash equivalents</i>	822,008
R0210	<i>Other investments</i>	616,511
R0220	Assets held for index-linked and unit-linked contracts	46,212,409
R0230	Loans and mortgages	2,396,414
R0240	<i>Loans on policies</i>	3,890
R0250	<i>Loans and mortgages to individuals</i>	59
R0260	<i>Other loans and mortgages</i>	2,392,466
R0270	Reinsurance recoverables from:	8,553,044
R0280	<i>Non-life and health similar to non-life</i>	65,193
R0290	<i>Non-life excluding health</i>	0
R0300	<i>Health similar to non-life</i>	65,193
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	8,517,530
R0320	<i>Health similar to life</i>	85,467
R0330	<i>Life excluding health and index-linked and unit-linked</i>	8,432,064
R0340	<i>Life index-linked and unit-linked</i>	-29,679
R0350	Deposits to cedants	4,086,581
R0360	Insurance and intermediaries receivables	103,309
R0370	Reinsurance receivables	108,704
R0380	Receivables (trade, not insurance)	32,199
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	357,871
R0420	Any other assets, not elsewhere shown	235,801
R0500	Total assets	92,602,038

Annex

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	-938
R0520	<i>Technical provisions - non-life (excluding health)</i>	1,552
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	1,394
R0550	<i>Risk margin</i>	158
R0560	<i>Technical provisions - health (similar to non-life)</i>	-2,490
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	-6,919
R0590	<i>Risk margin</i>	4,429
R0600	Technical provisions - life (excluding index-linked and unit-linked)	32,366,136
R0610	<i>Technical provisions - health (similar to life)</i>	1,286,133
R0620	<i>TP calculated as a whole</i>	0
R0630	<i>Best Estimate</i>	1,102,757
R0640	<i>Risk margin</i>	183,376
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	31,080,003
R0660	<i>TP calculated as a whole</i>	3,668,474
R0670	<i>Best Estimate</i>	26,293,658
R0680	<i>Risk margin</i>	1,117,872
R0690	Technical provisions - index-linked and unit-linked	45,638,919
R0700	<i>TP calculated as a whole</i>	46,062,708
R0710	<i>Best Estimate</i>	-684,492
R0720	<i>Risk margin</i>	260,702
R0740	Contingent liabilities	6,272
R0750	Provisions other than technical provisions	21,109
R0760	Pension benefit obligations	72,082
R0770	Deposits from reinsurers	6,953,248
R0780	Deferred tax liabilities	295,083
R0790	Derivatives	111,955
R0800	Debts owed to credit institutions	22,221
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	434,495
R0830	Reinsurance payables	139,132
R0840	Payables (trade, not insurance)	174,425
R0850	Subordinated liabilities	735,630
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	735,630
R0880	Any other liabilities, not elsewhere shown	522,585
R0900	Total liabilities	87,492,356
R1000	Excess of assets over liabilities	5,109,682

Annex

S 05.01.02 Premiums, claims and expenses by line of business

Non-life

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)															Line of business for: accepted non-proportional reinsurance				
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total			
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200			
Premiums written																				
R0110 Gross - Direct Business	427,074																427,074			
R0120 Gross - Proportional reinsurance accepted																	0			
R0130 Gross - Non-proportional reinsurance accepted																	0			
R0140 Reinsurers' share	311,957																311,957			
R0200 Net	115,117							0					0	0	0	0	115,117			
Premiums earned																				
R0210 Gross - Direct Business	419,137																419,137			
R0220 Gross - Proportional reinsurance accepted																	0			
R0230 Gross - Non-proportional reinsurance accepted																	0			
R0240 Reinsurers' share	306,164																306,164			
R0300 Net	112,974							0					0	0	0	0	112,974			
Claims Incurred																				
R0310 Gross - Direct Business	284,725																284,725			
R0320 Gross - Proportional reinsurance accepted																	0			
R0330 Gross - Non-proportional reinsurance accepted													-1,483				-1,483			
R0340 Reinsurers' share	205,803												0				205,803			
R0400 Net	78,921							0					-1,483	0	0	0	77,438			
Changes in other technical provisions																				
R0410 Gross - Direct Business																	0			
R0420 Gross - Proportional reinsurance accepted																	0			
R0430 Gross - Non-proportional reinsurance accepted																	0			
R0440 Reinsurers' share																	0			
R0500 Net	0							0					0	0	0	0	0			
Expenses Incurred																				
R0550	102,202							0					465	115	122	115	103,019			
Other expenses																				
R1300																				
Total expenses																	103,019			

Annex

5.05.01.02 Premiums, claims and expenses by line of business Life

		Line of Business for: life insurance obligations						Life reinsurance obligations			Total
		Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance			
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300	
Premiums written											
R1410	Gross	290,995	457,618	6,110,923	2,692,674				1,071	9,553,280	
R1420	Reinsurers' share	35,621	95,664	72,155	624,755				8,870	837,065	
R1500	Net	255,373	361,954	6,038,768	2,067,919			0	-7,799	8,716,215	
Premiums earned											
R1510	Gross	289,649	457,618	6,110,923	2,686,497				1,071	9,545,758	
R1520	Reinsurers' share	35,498	95,664	72,155	624,755				8,870	836,942	
R1600	Net	254,151	361,954	6,038,768	2,061,742			0	-7,799	8,708,816	
Claims incurred											
R1610	Gross	188,659	156,336	4,908,625	2,011,391				439,394	7,704,405	
R1620	Reinsurers' share	26,472	30,608	37,399	1,048,013				230,184	1,372,676	
R1700	Net	162,187	125,729	4,871,226	963,378			0	209,210	6,331,729	
Changes in other technical provisions											
R1710	Gross	-33,229	33,901	-1,351,996	357,837				-515,905	-1,509,392	
R1720	Reinsurers' share	-16,806	-20,927	12,456	-379,776				-290,705	-695,757	
R1800	Net	-16,424	54,828	-1,364,452	737,613			0	-225,200	-813,636	
R1900	Expenses incurred	63,614	51,982	279,419	216,970			0	12,602	624,587	
R2500	Other expenses									48,830	
R2600	Total expenses									673,417	

Annex

S.05.02.01

Premiums, claims and expenses by country

Non-life

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		
		IE					Total Top 5 and home country
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
R0010							
Premiums written							
R0110		427,074					427,074
R0120							0
R0130		0					0
R0140		311,957					311,957
R0200	0	115,117	0	0	0	0	115,117
Premiums earned							
R0210		419,137					419,137
R0220							0
R0230		0					0
R0240		306,164					306,164
R0300	0	112,974	0	0	0	0	112,974
Claims incurred							
R0310		284,725					284,725
R0320							0
R0330		-1,483					-1,483
R0340		205,803					205,803
R0400	0	77,438	0	0	0	0	77,438
Changes in other technical provisions							
R0410							0
R0420							0
R0430							0
R0440							0
R0500	0	0	0	0	0	0	0
Expenses incurred							
R0550		103,019					103,019
Other expenses							
R1200							
R1300							103,019

Annex

S.05.02.01 Premiums, claims and expenses by country

Life

	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		IE	DE	CA	US	IT	
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written							
R1410 Gross	3,451,338	5,429,280	672,539	0	0	124	9,553,280
R1420 Reinsurers' share	457,933	379,132	0	0	0	0	837,065
R1500 Net	2,993,405	5,050,148	672,539	0	0	124	8,716,215
Premiums earned							
R1510 Gross	3,445,881	5,427,214	672,539	0	0	124	9,545,758
R1520 Reinsurers' share	457,810	379,132	0	0	0	0	836,942
R1600 Net	2,988,071	5,048,083	672,539	0	0	124	8,708,816
Claims incurred							
R1610 Gross	2,750,745	4,672,485	222,820	-18,463	63,359	13,460	7,704,405
R1620 Reinsurers' share	836,769	535,906	0	0	0	0	1,372,676
R1700 Net	1,913,976	4,136,579	222,820	-18,463	63,359	13,460	6,331,729
Changes in other technical provisions							
R1710 Gross	-679,758	-747,928	-48,127	52,620	-85,308	-891	-1,509,392
R1720 Reinsurers' share	-396,990	-298,767	0	0	0	0	-695,757
R1800 Net	-282,768	-449,162	-48,127	52,620	-85,308	-891	-813,636
R1900 Expenses incurred	189,803	243,911	189,953	0	0	920	624,587
R2500 Other expenses							48,830
R2600 Total expenses							673,417

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Impact of long term guarantees measures and transitionals

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	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
	C0010	C0030	C0050	C0070	C0090
R0010 Technical provisions	78,004,117	1,784,668	253,814	529,068	1,437,793
R0020 Basic own funds	5,748,035	-1,655,907	-156,877	-369,473	-1,450,575
R0050 Eligible own funds to meet Solvency Capital Requirement	5,834,357	-1,655,907	-156,877	-369,473	-1,450,575
R0090 Solvency Capital Requirement	3,898,675	122,470	28,729	114,624	281,256

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Own Funds

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Basic own funds before deduction for participations in other financial sector

Own funds when using the DBA, exclusively or in combination of method 1

- R0460 Own funds aggregated when using the DBA and combination of method 1
R0460 Own funds aggregated when using the DBA and combination of method net of IGT
R0520 Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via DBA)
R0530 Total available own funds to meet the minimum consolidated group SCR
R0560 Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via DBA)
R0570 Total eligible own funds to meet the minimum consolidated group SCR (group)

Minimum consolidated Group SCR

R0610 R0650 Ratio of Eligible own funds to Minimum Consolidated Group SCR

R0660 Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via DBA)

R0680 Group SCR

R0690 Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via DBA

Reconciliation reserve

- R0700 Excess of assets over liabilities
R0710 Own shares (held directly and indirectly)
R0720 Forfeitable dividends, distributions and charges
R0730 Other basic own fund items
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0750 Other non available own funds

Reconciliation reserve

Expected profits

- R0770 Expected profits included in future premiums (EPIFP) - Life business
R0780 Expected profits included in future premiums (EPIFP) - Non- life business
R0790 Total Expected profits included in future premiums (EPIFP)

Annex

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0				
0				
5,748,035	5,072,405	0	735,630	0
5,748,035	5,072,405	0	735,630	
5,748,035	5,072,405	0	735,630	0
5,257,691	5,072,405	0	245,286	
1,226,807				
428.57%				
5,834,357	5,098,727	0	735,630	0
3,898,675				
149.65%				
C0060				
5,109,682				
2,607,260				
305				
10				
2,502,108				
697,417				
26,483				
723,900				

Annex

S.25.01.22 Solvency Capital Requirement - for groups on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	2,763,061		
R0020 Counterparty default risk	75,157		
R0030 Life underwriting risk	1,763,533		
R0040 Health underwriting risk	417,663		
R0050 Non-life underwriting risk	2,208		
R0060 Diversification	-1,214,348		
		USP Key	
R0070 Intangible asset risk	0	For life underwriting risk: 1 - Increase in the amount of annuity benefits 9 - None	
R0100 Basic Solvency Capital Requirement	3,807,274		
	C0100	For health underwriting risk: 1 - Increase in the amount of annuity benefits 2 - Standard deviation for NSL.T health premium risk 3 - Standard deviation for NSL.T health gross premium risk 4 - Adjustment factor for non-proportional reinsurance reserve risk 5 - Standard deviation for NSL.T health reserve risk 9 - None	
R0130 Operational risk	247,255		
R0140 Loss-absorbing capacity of technical provisions	-22,309		
R0150 Loss-absorbing capacity of deferred taxes	-329,349		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41 /EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	3,702,871		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement for undertakings under consolidated method	3,702,871		
		For non-life underwriting risk: 4 - Adjustment factor for non-proportional reinsurance premium risk 6 - Standard deviation for non-life premium risk 7 - Standard deviation for non-life gross premium risk 8 - Standard deviation for non-life reserve risk 9 - None	
R0400 Other information on SCR	0		
R0410 Capital requirement for duration-based equity risk sub-module	2,698,277		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	127,325		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	877,269		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
R0470 Minimum consolidated group solvency capital requirement	1,226,807		
R0500 Information on other entities	33,842		
R0510 Capital requirement for other financial sectors (Non-insurance capital requirements)	33,842		
R0510 Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	0		
R0520 Institutions for occupational retirement provisions	0		
R0530 Capital requirement for non-regulated entities carrying out financial activities	0		
R0540 Capital requirement for non-controlled participation requirements	0		
R0550 Capital requirement for residual undertakings	0		
R0560 Overall SCR	161,962		
R0570 SCR for undertakings included via D&A	3,898,675		
R0570 Solvency capital requirement			

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Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0080
1	IE	635400LGGZ18GHR8QG76	Specific code	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
2	GB	213800HKGFGNFSUWV95	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
3	GB	213800BSUBW02NAEYR31	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
4	GB	213800M6FQGY4U7ZF47	LEI	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority
5	IE	213800ZK7A1XGTCD2U22	LEI	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
6	IE	635400XTY9YKQ3NKAAG59	LEI	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
7	IE	635400VDFGPBPAAXJ29	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
8	GB	213800PDCPNPDRM64	LEI	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
9	GB	213800XKQVZND4LB513	LEI	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
10	GB	213800UDG1MA9AN21X52	LEI	Auxiliary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
11	IE	635400H1ZCYDF5HUW64	LEI	Auxiliary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
12	GB	213800PRKLFQ7WKW562	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
13	IE	635400L3ETR493ERBV46	LEI	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
14	IE	635400LDL081ASL4ZH81	LEI	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
15	GB	210942	Specific code	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
16	IE	635400CHZPQFC7PWP74	LEI	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
17	GB	213800BEDI3FNHHTU96	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
18	GB	JD3QAJDKG55JLJXV1L22	LEI	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority
19	GB	213800BMEYTHCMCN49	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
20	GB	213800156AB53CPPW358	LEI	Auxiliary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
21	GB	213800PF518D9Y41TQ90	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
22	GB	2138009TKVNB8N93HA61	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
23	IE	6354005ECKCJQUFPY74	LEI	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
24	GB	213800M6YOLHC7KTM002	LEI	Auxiliary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
25	IE	635400GGGAF7AHNQEBY22	LEI	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
26	GB	635400PBR5OL6NLRFR10	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority
27	IE	635400GEZ195GG08U122	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
28	GB	2138009Z7VMSZF4HG47	LEI	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A

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Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Criteria of Influence						Inclusion in the scope of Group supervision		Group solvency calculation
			% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	
C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	IE 635400LGGZBGR8R8Q76	Specific code	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
2	GB 213800HGGGFNFJUNZV95	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
3	GB 213800BSUBWZNAEYR31	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
4	GB 213800N6FQO34U7ZF47	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
5	IE 213800ZK7A1XGTCD2U22	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
6	IE 635400XTY9YKQ5KNAM59	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
7	IE 635400YDFGPRXAKJ29	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
8	GB 2138006PCDNPVPRM64	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
9	GB 213800ZKXQZND4LB513	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
10	GB 213800UDG1MA9ANZ1K52	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
11	IE 635400H1ZCYDFTSHUW64	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
12	GB 213800FRKLFQ7WK4W562	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
13	IE 635400L3ETR493ERBV46	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
14	IE 635400DLU81ASLAZB81	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
15	GB 210942	Specific code	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
16	IE 635400CHVZQFC4PPW74	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
17	GB 213800BED3FRNHHU96	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
18	GB JDSQAJDN65ZJXYVL22	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
19	GB 213800BMEYTWICMKN49	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
20	GB 213800156AB53CPW358	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
21	GB 213800P5IBD9Y411Q90	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
22	GB 213800PTKN8B93HA61	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
23	IE 635400SECZJQUFPY74	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
24	GB 213800MY6QLHCKTMV02	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
25	IE 635400GKZF7AHQEB722	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
26	GB 635400FBRSOL6NRF10	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
27	IE 635400GE719GQ8UJ22	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
28	GB 2138009Z2YMSZF4G47	LEI	25.00%	25.00%	25.00%		Significant	25.00%	Included in the scope		Method 1: Adjusted equity method

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Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0040	C0050	C0060	C0070	C0080
29	IE	635400CWP2NPL1FGL81	GlorHealth Financial Services Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
30	GB	2138007RWP2P2QW727	Hotel Operations (Cardiff) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
31	GB	21380039AGLOSKVGXZ12	Hotel Operations (Walsall) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
32	US	635400YQAF50BHZW22	Ilona Financial Group, Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
33	IE	635400JW5K42ZTTWOK19	ILP Pension Trustees dac	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
34	IE	6354009K2LTC46JWV73	Invesco Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
35	IE	6354007UVRKBCOQZ27	Invesco Trustees dac	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
36	IE	635400BSMKY1KOPXGH57	Irish Life Associate Holdings Unlimited Company	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
37	IE	YY6653O6EZWY2FFV31	Irish Life Assurance plc	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
38	IE	635400NNQOQOVEDAD14	Irish Life Financial Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
39	IE	635400N6Y6WZP2AHW47	Irish Life Group Limited	Insurance holding company as defined in Article 2 (1) (i) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
40	IE	635400ENK56JZBD86T55	Irish Life Group Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
41	IE	213800CKQ3LRQAANL691	Irish Life Health dac	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
42	IE	TW8HJ2DB2TY8XZPLM625	Irish Life Investment Managers Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
43	IE	635400P6FF1QJ1FXS02	Irish Life Irish Holdings Unlimited Company	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
44	IE	635400AFPOR15TCRQ046	Irish Life Trustee Services	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
45	IE	6354008JAP4UG45RLM07	Irish Progressive Services International Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
46	IE	635400ZUEHGW8DMWQ28	London Life and General Reinsurance dac	Composite undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
47	GB	2138007YQJ3YPPQ1311	MGW Advantage Holding Limited	Insurance holding company as defined in Article 2 (1) (i) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
48	GB	2138008ASHT4UB5W03	MGW Advantage Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
49	GB	2138005YDH5IQZORW68	Stonehaven UK Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority
50	GB	54930039E2N3MDWVE05	MGW Advantage Life Limited	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority
51	GB	213800RUVUGJAQ2IX80	MGW Advantage Life Trustee Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
52	IE	635400W8WRKSCF14Y754	Penpro Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
53	IE	635400GCGJ8X1UF56F61	Setanta Asset Management Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
54	IE	635400TRDQCEZ7WV80	Summit Asset Managers Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland
55	GB	213800EKJAMOKEP7XL89	The Canada Life Group (U.K.) Limited	Insurance holding company as defined in Article 2 (1) (i) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A
56	IE	635400VJGWKKV94ZEB87	Vestone Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A

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Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	
				C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
29	IE	635-40CNPZMPLFLGL81	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
30	GB	2138007RWKRPZPQV727	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
31	GB	21380039AGL05KVGWZ12	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
32	US	635-400YXAF50BHZV22	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
33	IE	635-40UJW5G42ZTTWOK19	Specific code	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
34	IE	635-4009KZL1TCN6JWV73	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
35	IE	635-4007UUVRBKCOZ27	Specific code	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
36	IE	635-400BSAKY1K09XGHS7	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
37	IE	YYK63D0E6WZV12FFV31	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
38	IE	635-400NNVQDDVEBAJD14	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
39	IE	635-400NX6YKZVZPAHW47	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
40	IE	635-400ENGSLZBD86T55	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
41	IE	213800CKQJLRQANL691	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
42	IE	TWPHZDR27Y8XZPLM625	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
43	IE	635-400P6FFQJF1XSP02	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
44	IE	635-400AFPORV5TCRD046	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
45	IE	635-4008APJUG45RLM07	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
46	IE	635-400ZKUEHGBDWWG28	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
47	GB	2138007VQUE3YPMXQH311	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
48	GB	21380018ASHF4JBJ5W03	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
49	GB	2138005YDHSJQZORW68	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
50	GB	54930039EZB3MDVME05	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
51	GB	213800RUVUGJAQB21X80	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
52	IE	635-400WWRK5CFT4Y754	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
53	IE	635-400GOCJ8X1UF56F61	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
54	IE	635-400TRDOEXCZ27MVB0	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
55	GB	213800EKLAKOKEPTXL89	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
56	IE	635-400VJGWWKUV94ZB87	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

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